

# **Rothesay Life Limited**

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

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

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**Statement of solvency - long-term insurance business**Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
	R2	6127279	GL	31	12	2012
			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	458262	201611
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	331742	353677
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	790004	555288

**Guarantee fund**

Guarantee fund requirement	21	81310	66327
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	708694	488962

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	243930	198982
Resilience capital requirement	32	1303	7000
Base capital resources requirement	33	2984	3056
Individual minimum capital requirement	34	245233	205982
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	245233	205982
Excess (deficiency) of available capital resources to cover 50% of MCR	37	568215	398073
Excess (deficiency) of available capital resources to cover 75% of MCR	38	606080	346578

**Enhanced capital requirement**

With-profits insurance capital component	39		
Enhanced capital requirement	40	245233	205982

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	245233	205982
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	544771	349306

**Contingent liabilities**

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

Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**

*K Satchell*

Director

*M*

Director

*Amol*

Director

Date 14 March 2013

**Components of capital resources**

Name of insurer

**Rothesay Life Limited**

Global business

Financial year ended

**31 December 2012**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	6127279	GL	31	12	2012	£000
			General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

**Core tier one capital**

Permanent share capital	11			135000	135000	135000
Profit and loss account and other reserves	12			439784	439784	240261
Share premium account	13					
Positive valuation differences	14			116047	116047	125803
Fund for future appropriations	15					
Core tier one capital in related undertakings	16					
Core tier one capital (sum of 11 to 16)	19			690831	690831	501064

**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					

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>			690831	690831	501084
Investments in own shares	32					
Intangible assets	33					
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					
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>			690831	690831	501064

**Components of capital resources**Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/UK/CM	day month year			Units	
	<b>R3</b>	<b>6127279</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		

**Tier two capital**

Implicit items, (tier two waivers and amounts excluded from line 22)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>		100000	100000	
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>		100000	100000	

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				120000
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>				120000

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		100000	100000	120000
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		100000	100000	120000

**Components of capital resources**Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**

R3	Company registration number 6127279	GL/ UK/ CM	day month year			Units £000
			31	12	2012	
		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	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	71				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		790831	790831	621064
Inadmissible assets other than intangibles and own shares	73		827	827	65776
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				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		790004	790004	555288

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

Available capital resources for guarantee fund requirement	81		790004	790004	555288
Available capital resources for 50% MCR requirement	82		690831	690831	501064
Available capital resources for 75% MCR requirement	83		790004	790004	501064

**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				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>				

**Analysis of admissible assets**Name of insurer **Rothesay Life Limited**

Global business

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
	R13	6127279	31	12	2012	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings						11	
<b>Investments in group undertakings and participating interests</b>							
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				
<b>Other financial investments</b>							
Equity shares			41				
Other shares and other variable yield participations			42				
Holdings in collective investment schemes			43		335023	328765	
Rights under derivative contracts			44				
Fixed interest securities	Approved		45				
	Other		46				
Variable interest securities	Approved		47				
	Other		48				
Participation in investment pools			49				
Loans secured by mortgages			50				
Loans to public or local authorities and nationalised industries or undertakings			51				
Loans secured by policies of insurance issued by the company			52				
Other loans			53				
Bank and approved credit & financial institution deposits	One month or less withdrawal		54				
	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 **Rothesay Life Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2012	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	
	Intermediaries	72	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	630
	due in more than 12 months	79	

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		24798
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	122	114
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	335775	353677
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**Analysis of admissible assets**Name of insurer **Rothesay Life Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2012	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	335775	353677
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	9	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	335784	353677
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 **Rothesay Life Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2012	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
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	645417	542378	
Rights under derivative contracts	44	330537	119543	
Fixed interest securities	Approved	45	160994	
	Other	46	408250	175220
Variable interest securities	Approved	47	111695	
	Other	48	108102	2127
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53	795527	211053	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	4453208	4296581
	Property linked	59		

**Analysis of admissible assets**Name of insurer **Rothesay Life Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2012	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					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	11118	4180
	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	76149	422003
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	54455	12069
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	69887	44139
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	374	273

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	7225713	5829566
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**Analysis of admissible assets**Name of insurer **Rothesay Life Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2012	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	7225713	5829566
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	818	65776
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	240607	277779
Other asset adjustments (may be negative)	101	40989	94649
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	7508127	6267770
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Long term insurance business liabilities and margins**Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Long Term Fund 1**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	<b>11</b>	6098247	4974547	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	458262	201611	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	6556509	5176158	
Claims outstanding	Gross	<b>15</b>	8419	10989
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	8419	10989
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>		
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	643990	624457
Accruals and deferred income	<b>39</b>	16786	17962	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	669195	653408	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	7225704	5829566	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	1684118	203096
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	6767442	5627955
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	240607	277779
Other adjustments to liabilities (may be negative)	<b>74</b>	157036	220456
Capital and reserves and fund for future appropriations	<b>75</b>	343042	141580
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	7508127	6267770

**Liabilities (other than long term insurance business)**Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R15	6127279	GL	31	12	2012	£000
				As at end of this financial year 1		As at end of the previous year 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			
	Foreseeable dividend	48			
	Other	49		4042	
Accruals and deferred income		51			
Total (19 to 51)		59		4042	
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63		100000	120000
Total (59 to 63)		69		104042	120000

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71				
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Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83				
Capital and reserves	84			231742	233677
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			335784	353677

**Profit and loss account (non-technical account)**Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R16</b>		<b>6127279</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
				<b>This financial year</b>		<b>Previous year</b>	
				<b>1</b>		<b>2</b>	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>				
	Equalisation provisions		<b>12</b>				
Transfer from the long term insurance business revenue account			<b>13</b>				(3077)
Investment income	Income		<b>14</b>			2211	329
	Value re-adjustments on investments		<b>15</b>				
	Gains on the realisation of investments		<b>16</b>				
Investment charges	Investment management charges, including interest		<b>17</b>			4784	683
	Value re-adjustments on investments		<b>18</b>				
	Loss on the realisation of investments		<b>19</b>				
Allocated investment return transferred to the general insurance business technical account			<b>20</b>				
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>				302190
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			(2573)	298759
Tax on profit or loss on ordinary activities			<b>31</b>			(639)	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			(1934)	298759
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>				
Tax on extraordinary profit or loss			<b>42</b>				
Other taxes not shown under the preceding items			<b>43</b>				
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			(1934)	298759
Dividends (paid or foreseeable)			<b>51</b>				
Profit or loss retained for the financial year (49-51)			<b>59</b>			(1934)	298759



**Analysis of derivative contracts**Name of insurer **Rothesay Life Limited**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	6127279	GL	31	12	2012	£000	1
<b>Derivative contracts</b>		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							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	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							
<b>Total (11 to 46)</b>		<b>51</b>							
<b>Adjustment for variation margin</b>		<b>52</b>							
<b>Total (51 + 52)</b>		<b>53</b>							

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.

**Analysis of derivative contracts**Name of insurer **Rothesay Life Limited**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>6127279</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>	273373		233617		3926571		3715690
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>		7917		6684			71308
	Credit single name	<b>15</b>		1295		3425			106115
	Equity index	<b>16</b>							
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>		1350		4010			384015
	Mortality	<b>20</b>							
	Other	<b>21</b>		83689		81287		317555	317555
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	367624		329023		4244126		4594683
Adjustment for variation margin		<b>52</b>	(37087)		(3902)				
Total (51 + 52)		<b>53</b>	330537		325121				

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 **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	967940	1018369
Investment income receivable before deduction of tax	12	310539	64638
Increase (decrease) in the value of non-linked assets brought into account	13	105104	17000
Increase (decrease) in the value of linked assets	14	321111	136159
Other income	15		
<b>Total income</b>	<b>19</b>	<b>1704694</b>	<b>1236166</b>

**Expenditure**

Claims incurred	21	179123	52180
Expenses payable	22	40822	46971
Interest payable before the deduction of tax	23	37244	34614
Taxation	24	67154	(65776)
Other expenditure	25		
Transfer to (from) non technical account	26		(3077)
<b>Total expenditure</b>	<b>29</b>	<b>324343</b>	<b>64912</b>

Business transfers - in	31		3187384
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1380351	4358638
Fund brought forward	49	5176158	817520
Fund carried forward (39+49)	59	6556509	5176158

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Regular premiums	11		255945		255945	185850
Single premiums	12		1026502		1026502	984667

**Reinsurance - external**

Regular premiums	13		314507		314507	152148
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17		(58562)		(58562)	33702
Single premiums	18		1026502		1026502	984667

**Total**

Gross	19		1282447		1282447	1170517
Reinsurance	20		314507		314507	152148
Net	21		967940		967939	1018369

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11		744	744	101
Disability periodic payments	12				
Surrender or partial surrender	13		8507	8507	1531
Annuity payments	14		448303	448303	189528
Lump sums on maturity	15		12308	12308	3342
<b>Total</b>	<b>16</b>		<b>469862</b>	<b>469862</b>	<b>194502</b>

**Reinsurance - external**

Death or disability lump sums	21		50	50	7
Disability periodic payments	22				
Surrender or partial surrender	23		236	236	221
Annuity payments	24		289255	289255	141482
Lump sums on maturity	25		1198	1198	612
<b>Total</b>	<b>26</b>		<b>290739</b>	<b>290739</b>	<b>142322</b>

**Reinsurance - Intra-group**

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

**Net of reinsurance**

Death or disability lump sums	41		694	694	94
Disability periodic payments	42				
Surrender or partial surrender	43		8271	8271	1310
Annuity payments	44		159048	159048	48046
Lump sums on maturity	45		11110	11110	2730
<b>Total</b>	<b>46</b>		<b>179123</b>	<b>179123</b>	<b>52180</b>

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13		33881	33881	43002
Management - maintenance	14		4159	4159	3137
Management - other	15		2782	2782	832
<b>Total</b>	<b>16</b>		<b>40822</b>	<b>40822</b>	<b>46971</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43		33881	33881	43002
Management - maintenance	44		4159	4159	3137
Management - other	45		2782	2782	832
<b>Total</b>	<b>46</b>		<b>40822</b>	<b>40822</b>	<b>46971</b>

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

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

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

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

Regular premium business	11				1
Single premium business	12		44038	44038	21745
<b>Total</b>	<b>13</b>		<b>44038</b>	<b>44038</b>	<b>21746</b>

**Amount of new regular  
premiums**

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

**Amount of new single  
premiums**

Direct insurance business	25		1025771	1025771	985043
External reinsurance	26				
Intra-group reinsurance	27				
<b>Total</b>	<b>28</b>		<b>1025771</b>	<b>1025771</b>	<b>985043</b>

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

Name of insurer **Rothesay Life Limited**  
 Total business  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
390	Deferred annuity non-profit			8376	251644
401	Annuity non-profit (bulk transfer)			34895	674466
906	Index linked annuity (bulk transfer)			508	78965
907	Index linked deferred annuity			259	20696



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

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

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12	172815	172815	18565	3.44	
Other fixed interest securities	13	450457	287221	41950	3.33	
Variable interest securities	14	220533	354865	(11740)	3.52	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1928700	1957604	93830	3.28	
<b>Total</b>	<b>19</b>	<b>2772505</b>	<b>2772505</b>	<b>142605</b>	<b>3.33</b>	

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

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

**Overall return on with-profits assets**

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

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

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

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	20638	39.37	3.48	3.48

<b>Other approved fixed interest securities</b>	<b>21</b>	152177	20.58	3.43	3.40
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**Other fixed interest securities**

AAA/Aaa	31	270720	11.11	3.25	3.10
AA/Aa	32	16448	25.55	4.72	3.77
A/A	33	53	19.48	4.01	3.44
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	287221	11.94	3.33	3.14

<b>Approved variable interest securities</b>	<b>41</b>	111694	40.15	3.48	3.48
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<b>Other variable interest securities</b>	<b>51</b>	243171	26.93	3.55	3.55
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	814901	22.59	3.44	3.37
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**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12		1544237	1544237	582286
Form 52	13				
Form 53 - linked	14		1641	1641	1648
Form 53 - non-linked	15				
Form 54 - linked	16		4653401	4653401	4543626
Form 54 - non-linked	17		141215	141215	126415
<b>Total</b>	<b>18</b>		<b>6340494</b>	<b>6340494</b>	<b>5253975</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22		40413	40413	30171
Form 52	23				
Form 53 - linked	24		1641	1641	1648
Form 53 - non-linked	25				
Form 54 - linked	26		200193	200193	247609
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>		<b>242247</b>	<b>242247</b>	<b>279428</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42		1503824	1503824	552115
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		4453208	4453208	4296017
Form 54 - non-linked	47		141215	141215	126415
<b>Total</b>	<b>48</b>		<b>6098247</b>	<b>6098247</b>	<b>4974547</b>

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 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
390	Deferred annuity non-profit	9503	14591					298000
400	Annuity non-profit (CPA)	47723	214854	1950				1200016
440	Additional reserves non-profit OB - expense provision							42471
440	Additional reserves non-profit OB - miscellaneous							3750

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 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
390	Deferred annuity non-profit - financial reinsurance		25166	2411				9654
400	Annuity non-profit (CPA)		80058	11291				30759

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
795	Miscellaneous property linked		1641		1641	1641		1641

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
795	Miscellaneous property linked		1641		1641	1641		1641

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 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)	35989	403079	253994	3172910	3172910		3172910
907	Index linked deferred annuity	18569	46740		1480491	1480491		1480491
915	Additional reserves index linked - expense provision						129757	129757
915	Additional reserves index linked - miscellaneous						11458	11458



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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity(CPA)		226323	185907	197995	197995		197995
907	Index linked deferred annuity - financial reinsurance		3670	288	2198	2198		2198

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

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

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	341245	40.15
Other variable interest securities	12	742964	26.93
Approved fixed interest securities	13	491861	24.62
Other fixed interest securities	14	768398	12.50
Cash and deposits	15	58117	
Equity index derivatives	16		
Inflation swaps	17	(23517)	
Other assets	18	2175525	
Variation margin	19	(101385)	
<b>Total (11 to 19)</b>	<b>20</b>	<b>4453208</b>	

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

AAA/Aaa	31	1055815	16.47
AA/Aa	32	33742	25.55
A/A	33	150	19.48
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	421655	26.93
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>	<b>1511362</b>	<b>19.59</b>

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Rothesay Life Limited**Total business **Long Term Fund 1**Financial year ended **31 December 2012**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
Form 51; Immediate & Deferred Annuities	1457602	3.36	3.36	3.42
Form 51; Additional Reserve - Expense Reserve	42471	3.36	3.36	3.42
Form 54; Additional Reserve - Expense Reserve	129757	3.36	3.36	3.42
Form 51; Additional Reserve - Closure Reserve	3750	3.36	3.36	3.42
Form 54; Additional Reserve - Closure Reserve	11458	3.36	3.36	3.42
<b>Total</b>	1645038			

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

Name of insurer **Rothesay Life Limited**  
 Total business / subfund **Long Term Fund 1**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year 1	Previous year 2
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**Valuation result**

Fund carried forward	11	6556509	5176158
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6556509	5176158
Mathematical reserves	21	6098247	4974547
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	458262	201611

**Composition of surplus**

Balance brought forward	31	201611	107026
Transfer from non-technical account	32		3077
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	256651	91508
Total	39	458262	201611

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	458262	201611
Total (48+49)	59	458262	201611

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance capital requirement**Name of insurer **Rothesay Life Limited**

Global business

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

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

**Insurance death risk capital component**

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

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

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	1544237	1503824	0.97	15038	5521
Classes III, VII and VIII (investment risk)	33	1%	4796257	4594423	0.96	45944	44224
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					60982	49745

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	1544237	1503824	0.97	45115	16563
Classes III, VII and VIII (investment risk)	43	3%	4796257	4594423	0.96	137833	132673
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		6340494	6098247		182948	149238

<b>Long term insurance capital requirement</b>	<b>51</b>					243930	198982
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## Form 2

\*0201\* Waivers under Section 148, financial Service and Markets Act 2000.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2008. 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.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in July 2010. The effect of the direction is to modify the provisions of INSPRU 3.2.5R(3) allowing the company to treat a derivative contract with a pension scheme as an admissible asset.

## Form 3

\*0301\* Reconciliation of net admissible assets to total capital resources.

	2012 £'000
Line 89 Form 13 (OLTF)	335,775
Line 89 Form 13 (LTF)	7,225,713
Line 11 Form 14	(6,098,247)
Line 49 Form 14	(669,195)
Line 69 Form 15	(104,042)
Net admissible assets	<u>690,004</u>
Line 63 Form 15	<u>100,000</u>
Line 79 Form 3	<u>790,004</u>

\*0302\* Perpetual subordinated debt

On 21 December 2012 Rothesay Life Limited issued floating rate perpetual callable securities to a third party. The securities are unsecured. These securities are callable at par on 21st December 2017 and every six months thereafter. The principal constitutes regulatory capital. The repayment of these securities is subject to FSA consent.

On 21 December 2012 the company repaid £120m of subordinated loans from parent undertakings.

\*0310\* Valuation differences.

Positive valuation differences (Line 14 on Form 3) include an addition to the capital resources by way of a contingent loan and interest thereon. The repayment of the loan and interest accrued thereon will be paid when the company has the necessary approval from the FSA, it has surplus in Line 34 on Form 58 and management feels that it will not be detrimental to the company's solvency position. The contingent loan is considered Tier 1 capital in accordance with GENPRU 2.2.9G. Also included in Line 14 on Form 3 is the closure reserve which is not required to be held for statutory purposes.

	2012 <u>£'000</u>
Contingent loan	105,000
Interest on contingent loan	26,256
Closure reserve	<u>(15,209)</u>
Form 3 Line 14	<u>116,047</u>

\*0313\* Reconciliation of profit and loss account and other reserves.

	2012 <u>£'000</u>	2011 <u>£'000</u>
Profit & loss account and reserves b/fwd	240,261	10,433
Profit & loss account and reserves c/fwd (Line 12 Form 3)	<u>439,784</u>	<u>240,261</u>
Movement	199,523	229,828
Movement in additional reserves held for FSA	(15,209)	3,484
Regulatory impact of Part VII	-	225,808
Regulatory impact of contingent loan	5,454	-
Movement in deferred tax	<u>64,949</u>	<u>(65,776)</u>
Total Profit and Loss for the year	254,717	393,344
Surplus retained in Long Term Fund	(256,651)	(94,585)
Line 59 Form 16	<u>(1,934)</u>	<u>298,759</u>

Form 13

Note 1305 below applies to other than long term insurance business assets.

\*1305\* Insurer's maximum counterparty limit.

The maximum counterparty limit for any one counterparty is limited to the counterparty limits as noted in the Prudential Sourcebook for Insurers. No counterparty exposure at the year end exceeded these limits.

Notes 1311 to 1319 below apply to the long term business fund.



\*1312\* No counterparty exposure on the assets other than collective investment schemes at the year end exceeded 5% of the business amount.

\*1313\* Exposures secured by collateral or charges, or mitigated by a credit derivative.

	2012 <u>£'000</u>
Exposures mitigated by a credit derivative	<u>4,243,924</u> <u>4,243,924</u>

\*1318\* Other asset adjustments.

	2012 £'000
<i>Total long term business assets</i>	
Adjustment for variation margin on non-linked derivative liabilities (Form 17)	3,902
Adjustment for variation margin on non-linked derivative assets (Line 74 Form 14)	<u>37,087</u>
Line 101 Form 13	<u>40,989</u>

\*1319\* Insurer's maximum counterparty limit.

The maximum counterparty limit for any one counterparty is limited to the counterparty limits as noted in the Prudential Sourcebook for Insurers. No counterparty exposure at the year end exceeded these limits.

\*1321\* Variation Margin

The amount included in line 78 includes variation margin.

#### Form 14

\*1401\* Provision for reasonably foreseeable adverse variations.

The long term fund held a number of interest rate, credit default, total return, currency and inflation-linked swaps during the year. These 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 covered.

\*1402\* Liabilities.

(a) Increases in the value of assets do not incur tax. Consequently, no provision, potential or otherwise, has been made for any liability to tax which may arise if the company disposed of its assets at the values stated in this return.

(b) There were no contingent liabilities in Rothesay Life Limited during the year or at the year end.

(c) On 28 December 2012, the company executed a forward settling reverse repo with a third party. On 9 January 2013, the reverse repo settled with a notional value of £262m. There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of business, and in respect of related companies.

\*1405\* Other liability adjustments

	2012 £'000
Adjustment for variation margin on non-linked derivative liabilities (Form 17)	3,902
Adjustment for variation margin on non-linked derivative assets (Line 74 Form 14)	37,087
Adjustment for closure reserve	(15,209)
Adjustment for regulatory treatment of contingent loan	<u>131,256</u>
Line 74 Form 14	<u>157,036</u>

Form 15

\*1501\* Provision for reasonably foreseeable adverse variations.

The other than long term fund did not hold any derivatives during the year. Therefore, no provision for adverse change is required.

\*1502\* Liabilities.

(a) There were no charges attributable to other than long term business assets.

(b) there is no potential capital gains tax liability in the other than long term business fund.

(c) There were no contingent liabilities during the year or at the year end.

(d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of business, and in respect of related companies.

## Form 16

\*1601\* Revenue account items are translated at rates ruling on the transaction date.

\*1603\* Other income and charges.

On 14 December 2011 the insurance business of Paternoster UK Limited was transferred to Rothesay Life Limited in accordance with Part VII of the Financial Services and Markets Act 2000. The value disclosed at line 21 during prior year of £302,189,829 represents the value of the shareholder fund transferred to Rothesay Life Limited.

## Form 17

\*1701\* Treatment of the variation margin.

(a) There is no excess variation margin which has been received.

(b) The variation margin on assets of £37,087k has been allocated to line 44 on Form 13. The variation margin on liabilities of £3,902k has been allocated to line 38 on Form 14.

## Form 40

\*4004\* Details of transfers of contracts from another insurer

On 14 December 2011 the long term insurance business of Paternoster UK Limited was transferred to Rothesay Life Limited in accordance with Part VII of the Financial Services and Markets Act 2000. The value disclosed at line 31 during prior year of £3,187,384,365 represents the value of the fund transferring to Rothesay Life Limited.

\*4008\* Management Services.

Management services are provided to the Company for day to day administration by Rothesay Pensions Management Limited, Goldman Sachs International and Paternoster Services Limited. All of which are group companies.

## Form 47

\*4702\* Approximations to apportion business among product codes.

Amount of premiums:

Amount of premiums has been split between pensioners and deferred members. The amount of premium allocated to these sub-groups is apportioned as a percentage of gross mathematical reserves applicable to these sub-groups.

## Form 48

\*4807\* Allocation of assets to column 2 of Form 48.

The fund holds fixed and variable interest securities, with values given in column 1 rows 13 and 14, that are all individually covered by derivatives of value £43.3 million in row 18. The combined assets, for which risk adjusted yields are determined in accordance with INSPRU 3.1.30R(1), provide variable interest and therefore have economic exposures equivalent to non-approved variable interest securities.

## Form 49

\*4901\* Credit Ratings

Management use their internal ratings except in circumstances which they deem to be seriously prejudicial, in which case they use external ratings. Credit default swaps and total return swaps have been purchased to mitigate the credit exposure on some of the company's corporate bonds, collateralised with cash.

## Form 51

\*5104\* Apportioning products between codes.

Code 440 – Additional reserves – expense provision:  
This reserve was apportioned as a percentage of the non-linked reserves which make up the total gross mathematical reserve.

## Form 53

\*5303\* Use of miscellaneous product code.

Code 795 – Miscellaneous property linked:  
The code was used to reflect property linked rider benefits affiliated to a policy.

## Form 54

\*5404\* Apportioning products between codes.

Code 915 – Additional reserves – expense provision:  
This reserve was apportioned as a percentage of the linked reserves which make up the total gross mathematical reserve

## Form 55

\*5500\* Form 55 is omitted because we do not have unit linked business.

## Form 56

### \*5601\* Credit Ratings

Management use their internal ratings except in circumstances which they deem to be seriously prejudicial, in which case they use external ratings. Credit default swaps and total return swaps have been purchased to mitigate the credit exposure on some of the company's corporate bonds, collateralised with cash.

### \*5602\* Variation margins.

Derivative positions are reflected net of variation margins in the return. However, on a statutory basis, the derivatives are reflected on a gross basis with the collateral shown separately.

## Form 57

### \*5702\* Waiver

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Market Act 2000 in September 2008. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(IN) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.



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***ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS***

**Statement required by Rule 9.29 of the Prudential Sourcebook for Insurers**

**(a) Investment guidelines**

As requested 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.

- (i) Derivatives are used for the purpose of efficient portfolio management or for the reduction of investment risk, specific examples being to hedge credit risk on corporate bonds, convert foreign currency receipts into sterling or manage duration and inflation risks.
- (ii) A number of restrictions on the use of derivatives have been set:
  - All derivatives that impose obligations on the fund must be strictly covered.
  - All derivative contracts must satisfy the definition of approved under INSPRU 3.2.5R.
  - All derivative positions such as interest and inflation rate swaps, total return and credit default swaps must be collateralised no less frequently than weekly.
- (iii) During the year the Company has used interest rate, inflation-linked, credit default, total return, asset and currency swaps in the long term business fund.

**(b) Derivatives where exercise is unlikely**

No provision was made in the investment guidelines to prohibit such contracts.

**(c) Effect on Form 13 at 31 December 2012 of exercising derivatives where it would be prudent to assume options would be exercised**

No material difference would be made to the figures in Form 13.

**(d) Effect on Form 13 at 31 December 2012 of exercising all derivatives**

The situation would not have been materially different.

## **ROTHESAY LIFE LIMITED**

For the year ended 31 December 2012

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### ***ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS***

#### **Statement required by Rule 9.29 of the Prudential Sourcebook for Insurers**

- (e) **Effect on Form 13 under the conditions noted in (c) and (d) above at any other time during the year.**

The situation would not have been materially different at any time during the financial year.

- (f) **Maximum Exposure**

All derivative contracts are collateralised on a weekly basis under industry standard (ISDA) documentation. There is therefore normally no material exposure to counterparties in respect of derivative contracts.

The maximum loss which could be incurred would be in the event of a large market movement at a time of failure of a counterparty requiring replacement of the derivative at an unfavourable time.

The situation would not have been significantly different at any other time in the financial year.

- (g) **Derivatives not covered by the definition of an admissible derivative contract in the Prudential Sourcebook.**

On 15 July 2010, the company was granted a waiver to INSPRU 3.2.5R(3). This allowed the company to treat a derivative contract with a pension scheme as an admissible asset. The purpose of the derivative contract is to provide a hedge for a specific pension scheme against market risk. The company has hedged this risk with a derivative contract with an approved counterparty.

- (h) **Consideration for granting rights under derivative contracts**

The insurer received no fixed consideration in the financial year for granting rights under derivative contracts.



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**ADDITIONAL INFORMATION ON CONTROLLERS**

**Statement required by Rule 9.30 of the Prudential Sourcebook for Insurers**

The following is a statement of:

- a) Each person who at any time during the period ended 31 December 2012, was a controller of Rothesay Life Limited (“RLL”); and
- b) In the case of each person so named, a statement of -
  - i) the percentage of shares he held in RLL, or another company of which RLL was a subsidiary undertaking; and
  - ii) the percentage of voting power which he was entitled to exercise, or control the exercise of, at any general meeting of RLL, or another company which it is a subsidiary undertaking,

in each case, either alone or with any associate or associates.

<u>Controller</u>	<u>Percentage of Shares</u>	<u>Percentage of Voting Power</u>
Rothesay Life (Cayman) Limited <i>Immediate Holding Co.</i>	100%	100%
Rothesay Life, L.L.C <i>Limited Liability Co.</i>	100%	100%
Goldman Sachs Global Holdings L.L.C. <i>Ultimate Holding Co.</i>	25%	25%
The Goldman Sachs Group, L.P. <i>Ultimate Parent</i>	75%	75%



***Appendix 9.4 report***

**Abstract of valuation report pursuant to the Interim Prudential Sourcebook: Insurers (IPRU(INS)) rules 9.4 and 9.31 and Appendix 9.4**

**Valuation Report as at 31 December 2012**

**1. Introduction**

- (1) The date to which the actuarial investigation relates (“the valuation date”) is 31 December 2012.
- (2) The date to which the previous actuarial investigation related was 31 December 2011.
- (3) There have been no interim valuations (for the purpose of rule 9.4) carried out since the previous valuation date.

**2. Product Range**

During the twelve month period ended 31 December 2012, the company has continued to write new pension scheme buy-in contracts. These contracts are single premium occupational pension scheme buy-in arrangements with the trustees of U.K. corporate defined benefit occupational pension schemes. These contracts are similar to other buy-in contracts previously written by the company. The company does not transact with-profits business.

**3. Discretionary charges and benefits**

- (1) - (10) Not applicable.

**4. Valuation Basis**

- (1) The mathematical reserves for the immediate and deferred annuities have been determined, using a gross premium method, as the present value of benefits and expected future expenses of administering the contracts in force and investment expenses using prudent assumptions. For index linked benefits (shown in Form 54), an explicit allowance is made for future changes in the Retail Price Index (“RPI”) or Average Weekly Earnings (“AWE”), as appropriate, to allow for increases in benefits consistent with terms and conditions of the annuities.

For the longevity swaps, where the contracts are regular premium rather than single premium, the reserves are calculated as the present value of future claims and expenses less the present value of future premiums (a future stream of agreed guaranteed payments) to be received from the pension schemes.

The calculations are performed on an individual policy basis.

## ROTHESAY LIFE LIMITED

For the period ended 31 December 2012

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### Appendix 9.4 report

Additional expense reserves are held for short term maintenance expense overrun, to provide for expected project costs, and for the contingency of closure to new business as set out in 4(6) below.

All business is pensions business and has been valued gross of tax.

- (2) The interest rates used in the calculation of the mathematical reserves are shown in the table below.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2008. 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.

#### Non-linked

Product Group	31 December 2012	31 December 2011	Product Code
Deferred annuity non profit	3.36%pa	3.76%pa	390
Annuity non profit (CPA)	3.36%pa	3.76%pa	400

#### Index-linked

Product Group	31 December 2012	31 December 2011	Product Code
Index linked annuity (CPA)	3.36%pa	3.76pa	905
Index linked deferred annuity	3.36%pa	3.76%pa	907

- (3) The company held no equity shares or property at the valuation date. In accordance with the terms of the waiver, the valuation interest rate is based on the internal rate of return on the basket of assets matching the mathematical reserves. The allowance for default risk on the corporate bond portfolio has been reflected through the use of credit default swaps where held. In addition to corporate bonds with covering credit default swap, the company holds a number of government guaranteed bonds, other corporate bonds, regulated covered bonds and secured funding contracts to match the liabilities. For these, the asset yield has been reduced to reflect counterparty default risk and the prudent expected recoveries from the underlying collateral in the event of default. This reduction in yield is determined separately for each individual asset reflecting the risk to the return being achieved on the asset. The table below shows the average yield deduction at 31 December 2012 by asset category.

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**Appendix 9.4 report**

Asset class	Average yield reduction
UK Government approved securities	0bps
Corporate bonds after allowance for covering credit default swap	0bps
Other approved securities	3bps
Covered bonds	15bps
Other fixed interest securities	61bps
Secured financing	12bps
Overall	6bps

Overall, the deduction for counterparty default risk on secured lending is lower than the credit default deduction on a typical unsecured credit portfolio due to the collateralisation providing security against default.

- (4) Mortality bases have been determined separately for each pension scheme and the average, weighted by the valuation of annuity benefits for each pension scheme, are as follows:

Product Group	31 December 2012		31 December 2011		Product Code
	Males	Females	Males	Females	
Deferred annuity non profit	81.7% PCMA00 <sup>(2)</sup>	81.7% PCFA00 <sup>(3)</sup>	99.1% PCMA00 <sup>(4)</sup>	99.1% PCFA00 <sup>(5)</sup>	390
Annuity non profit (CPA)	81.7% PCMA00 <sup>(2)</sup>	81.7% PCFA00 <sup>(3)</sup>	99.1% PCMA00 <sup>(4)</sup>	99.1% PCFA00 <sup>(5)</sup>	400
Index linked annuity (CPA)	81.7% PCMA00 <sup>(2)</sup>	81.7% PCFA00 <sup>(3)</sup>	99.1% PCMA00 <sup>(4)</sup>	99.1% PCFA00 <sup>(5)</sup>	905
Index linked deferred annuity	81.7% PCMA00 <sup>(2)</sup>	81.7% PCFA00 <sup>(3)</sup>	99.1% PCMA00 <sup>(4)</sup>	99.1% PCFA00 <sup>(5)</sup>	907

Notes:

1. Ultimate mortality has been used in all cases.

## ROTHESAY LIFE LIMITED

For the period ended 31 December 2012

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### Appendix 9.4 report

2. Allowance for future mortality improvements (males): For the 31 December 2012 valuation, an allowance from 31 December 2012 has been made using sets of reduction factors equivalent to using the CMI Mortality Projections Model published by the CMI in September 2011. The 'Core' parameter level CMI\_2011\_M[2.4%]
3. Allowance for future mortality improvements (females): For the 31 December 2012 valuation, an allowance from 31 December 2012 has been made using sets of reduction factors equivalent to using the CMI Mortality Projections Model published by the CMI in September 2011. The 'Core' parameter level CMI\_2011\_F[2.0%] has been applied.
4. Allowance for future mortality improvements (males): For the 31 December 2011 valuation, an allowance from 31 December 2000 has been made using sets of reduction factors equivalent to using the CMI Mortality Projections Model published by the CMI in September 2011. The 'Core' parameter level CMI\_2011\_M[2.2%] has been applied.
5. Allowance for future mortality improvements (females): For the 31 December 2011 valuation, an allowance from 31 December 2000 has been made using sets of reduction factors equivalent to using the CMI Mortality Projections Model published by the CMI in September 2011. The 'Core' parameter level CMI\_2011\_F[1.8%] has been applied.
6. The reduction factors are applied to both annuities in payment and in deferment.
7. The mortality basis is set at a prudent margin relative to the recent mortality specific to the population of annuitants involved where the data is statistically credible or based on additional analysis where the data is not statistically credible.

For all annuitant mortality bases covered by this paragraph, complete expectations of life on the valuation mortality basis have been calculated in years for males (weighted by the valuation of annuity benefits for each pension scheme), and are:

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	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
31 December 2012	23.9	14.6	26.8	25.3
31 December 2011	24.4	15.1	27.6	26.0

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For all annuitant mortality bases covered by this paragraph, complete expectations of life on the valuation mortality basis have been calculated in years for females (weighted by the valuation of annuity benefits for each pension scheme), and are:

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For the period ended 31 December 2012

**Appendix 9.4 report**

	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
31 December 2012	25.4	15.8	27.7	26.5
31 December 2011	25.9	16.3	28.5	27.2

The complete expectations of life for males and females have fallen at 31 December 2012 compared to those at 31 December 2011 due to the inclusion of the new business written during the year which has heavier expected base mortality than the average as at 31<sup>st</sup> December 2011.

No further allowance is made, and no reserve is held, 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 used in the valuation.

- (5) Not applicable.
- (6) Maintenance expenses have been assumed to be as follows:

Product Group	Per annuity (£ p.a.)		% of Assets under Management (p.a.)		Product Code
	2012	2011	2012	2011	
Immediate annuities	22.63	31.30	0.02	0.02	400
Index linked annuities	22.63	31.30	0.02	0.02	905

The per annuity expenses are in respect of the overhead maintenance expenses. There are additional allowances to provide for the Third Party Administrator (“TPA”) charges including a prudent margin (which vary by occupational pension scheme).

No tax relief on expenses has been assumed in the valuation as all contracts are pensions business.

- (7) At 31 December 2012, it has been assumed that the future rate of maintenance expense inflation is 0.25% per annum above the future rates of RPI implied by the RPI swap curve for the overhead (i.e. non TPA) expenses and 1.00% per annum above the future rates of RPI implied by the RPI swap curve for TPA expenses.
- (8) Not applicable.
- (9) No future lapses have been allowed for in the valuation.

## **ROTHESAY LIFE LIMITED**

For the period ended 31 December 2012

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### ***Appendix 9.4 report***

- (10) Where deferred annuity contract policyholders have passed the scheme normal retirement date and have been subject to in depth tracing exercises and yet remain untraced, a prudent allowance has been made for the probability of them retiring in the future. All other deferred annuity contract policyholders who have passed the scheme normal retirement date are assumed to retire immediately.
- (11) Various derivative contracts are held by the company. These include inflation swaps, interest rate swaps, credit default swaps, exchange rate swaps and total return swaps. Each of the credit default and exchange rate swaps have been treated as covering specific bonds maturing at the same time as the swap with capital redemption amounts equal to the nominal of the swap. The cash flows involved in these arrangements (bonds plus swaps) were combined with the cashflows from the interest rate swaps to determine the internal rate of return before any additional allowance for credit risk in determining the valuation rate of interest. All liabilities linked to RPI or AWE are covered by inflation linked swaps of appropriate durations. The approach to valuing the liabilities has been to project the cashflows allowing for the level of the RPI at each future date implied by swap prices. To be consistent with this, the yield on the assets has been determined allowing for this same level of the RPI at each future date.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1.33R.

- (12) There were no changes in valuation methodology at 31<sup>st</sup> December 2012 arising from changes in INSPRU valuation rules effective from 31 December 2006.

### **5. Options and Guarantees**

- (1) No guaranteed annuity rate options have been granted.
- (2) No guaranteed surrender values or maturity values have been granted within the policy contracts. However, by reason of pensions legislation, transfer values that have been quoted to members are required to be honoured for at least a specified time interval. Where applicable allowance has been made for the cost of such short term options within the transfer values.
- (3) No guaranteed insurability options have been granted.
- (4) No additional allowance has been made for early or late retirement or lump sum commutation. Subject to 4(10) deferred annuitants are assumed to retire at their normal retirement date. The adjustments to benefits made on early or late retirements, commutation terms for benefits on vesting and determination of transfer values are (subject to 5(2) above) not made on guaranteed terms and are assumed to be cost neutral.



**Appendix 9.4 report**

**6. Expense Reserves**

- (1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made at the valuation date to meet expenses in fulfilling contracts in force at the valuation date is £6.7million.

	Explicit allowances (investment management)	Explicit allowances (per annuity expenses)	Release short term expense overrun reserve	of term	Total (£million)
All immediate and deferred annuities	1.20	5.1	0.4		6.7

- (2) There is an implicit expense allowance for investment expenses. This has been allowed for by a reduction in the valuation rate of interest of two basis points.
- (3) The actual maintenance expenses incurred during 2012 as shown at line 14 of Form 43 are lower than the projected 2013 expected expense loadings in 6(1) due to the additional costs of new business written in late 2012 and valuation margins which are included in the expected expense loadings in 6(1).
- (4) A prudent estimate of acquisition expenses for the twelve months following the valuation date has been made based on budgeted expenses for that year. An estimate of the margins available in new business premiums has also been made, based on prudent estimates of projected new business volumes at levels lower than planned and initial mathematical reserves compared with premiums. The projected new business acquisition expenses allow for the cost of quoting on all business. No new business expense overrun arises since the expected acquisition expense loadings generated by the prudent new business volumes exceed the projected new business acquisition expenses.
- (5) A short term maintenance expense overrun reserve of £2.2million has been established to provide for expected project costs. This ensures that the total allowance for expenses is sufficient to provide for the expenses likely to be incurred in the future in fulfilling the contracts in-force at the valuation date. This has been derived with reference to the expected annual maintenance costs including the effect of assumed inflation and a margin for prudence required to administer the contracts in force at the valuation date.

An additional reserve of £15.2million is required to satisfy the requirements of INSPRU 1.2.50R in respect of the additional costs of closure to new business if the company were to cease to transact business twelve months after the valuation date. The projected discontinuance costs allow for the costs of terminating management agreements, the costs of administering the closed book and oversight management costs. However, no significant allowance has been made for redundancy costs as the terms of the management services agreements are such that any redundancy costs would not be borne by the company.

## **ROTHESAY LIFE LIMITED**

For the period ended 31 December 2012

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### **Appendix 9.4 report**

- (6) Not applicable as all expenses are attributable.

#### **7. Mismatching Reserves**

- (1) The mathematical reserves and corresponding matching assets are denominated in sterling. There are some US Dollar and Euro denominated assets which, in conjunction with specific currency derivative contracts, produce returns in sterling.
- (2) Not applicable
- (3) Not applicable
- (4) The market risk scenarios applied to the long term insurance assets invested in the U.K. for the purpose of calculating the resilience capital requirement in INSPRU 3.1.10R are those set out in INSPRU 3.1.16R. The most onerous scenario under INSPRU 3.1.16R was that which assumed a fall in the yields on all fixed interest securities by a percentage point amount equal to 20% of the long term gilt yield at the valuation date (i.e. 0.50%). The company held no equity shares or property at the valuation date. The reduction in the yield has been taken to apply to all interest related assets at all durations.
- (5) Not applicable.
- (6) In respect of the most onerous scenario described in 7(4) above:
- The resilience capital requirement is £1.3million.
  - The change in the aggregate amount of the long-term insurance liabilities is an increase of £465.2million.
  - The aggregate amount by which the assets allocated to match such liabilities have changed in value from the amount of those assets shown in Form 13 is a £463.9million increase.
- (7) No further reserve was required arising from the test on assets in INSPRU 1.1.34R as the calculation of the valuation rate of interest ensures that all requirements are fully met.

#### **8. Other Special Reserves**

Additional reserves of £16.9million are held at the valuation date, of which the two most significant contributors are if legislation changes to force the equalisation of guaranteed minimum pensions, the company would incur the cost of paying increased benefits on certain pension schemes and a data risk provision.

#### **9. Reinsurance**

- (1) No reinsurance has been ceded on a facultative basis to a reinsurer not authorised to carry on insurance business in the United Kingdom at any time during the report period.

**Appendix 9.4 report**

(2)

(d) **Pacific Life Re Limited.**

- (e) The treaty is a quota share longevity swap arrangement providing mortality cover in respect of the business reassured.
- (f) The premiums payable by the company under the treaty during the report period were £124.6million.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There is no undischarged obligation of Rothesay Life Limited.
- (j) The amount of mathematical reserves ceded under the treaty as at 31 December 2012 was £92.1million.
- (k) The treaty is closed to new business.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The company and the reinsurer are not connected companies.
- (n) There are no material contingencies, such as credit or legal risk, to which the treaty is subject.
- (o) No commission is payable.

(d) **Royal Bank of Canada Insurance Company Limited.**

- (e) The treaty is a quota share longevity swap arrangement providing mortality cover in respect of the business reassured.
- (f) The premiums payable by the company under the treaty during the report period were £55.9million.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There is no undischarged obligation of Rothesay Life Limited.
- (j) The amount of mathematical reserves ceded under the treaty as at 31 December 2012 was £47.3million.
- (k) The treaty is closed to new business.
- (l) The reinsurer is not authorised to carry on insurance business in the United Kingdom.
- (m) The company and the reinsurer are not connected companies.
- (n) There are no material contingencies, such as credit or legal risk, to which the treaty is subject.
- (o) No commission is payable.

## **ROTHESAY LIFE LIMITED**

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### ***Appendix 9.4 report***

(d) **RG Global Reinsurance Company, Ltd.**

- (e) The treaty is a quota share longevity swap arrangement providing mortality cover in respect of the business reassured.
- (f) The premiums payable by the company under the treaty during the report period were £67.2million.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There is no undischarged obligation of Rothesay Life Limited.
- (j) The amount of mathematical reserves ceded under the treaty as at 31 December 2012 was £44.7million.
- (k) The treaty is closed to new business.
- (l) The reinsurer is not authorised to carry on insurance business in the United Kingdom.
- (m) The company and the reinsurer are not connected companies.
- (n) There are no material contingencies, such as credit or legal risk, to which the treaty is subject.
- (o) No commission is payable.

(d) **Prudential Financial Inc.**

- (e) The treaty is a quota share longevity swap arrangement providing mortality cover in respect of the business reassured.
- (f) The premiums payable by the company under the treaty during the report period were £49.1million.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There is no undischarged obligation of Rothesay Life Limited.
- (j) The amount of mathematical reserves ceded under the treaty as at 31 December 2012 was £30.2million.
- (k) The treaty is closed to new business.
- (l) The reinsurer is not authorised to carry on insurance business in the United Kingdom.
- (m) The company and the reinsurer are not connected companies.
- (n) There are no material contingencies, such as credit or legal risk, to which the treaty is subject.
- (o) No commission is payable.

## **ROTHESAY LIFE LIMITED**

For the period ended 31 December 2012

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### ***Appendix 9.4 report***

- (d) **Hannover Ruckversicherung AG**
- (e) The treaty is a quota share longevity swap arrangement providing mortality cover in respect of the business reassured.
- (f) The premiums payable by the company under the treaty during the report period were £17.8million.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There is no undischarged obligation of Rothesay Life Limited.
- (j) The amount of mathematical reserves ceded under the treaty as at 31 December 2012 was £26.3million.
- (k) The treaty is closed to new business.
- (l) The reinsurer is not authorised to carry on insurance business in the United Kingdom.
- (m) The company and the reinsurer are not connected companies.
- (n) There are no material contingencies, such as credit or legal risk, to which the treaty is subject.
- (o) No commission is payable.

There are no financing arrangements.

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

Not applicable.



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***DIRECTORS' CERTIFICATE***

**Directors' Certificate required by Rule 9.34 (1) of the Prudential Sourcebook for Insurers in accordance with Appendix 9.6**

We certify that:

- a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- b) the directors are satisfied that:
  - i) throughout the financial year ended 31 December 2012, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future;
- c) in our 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 meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- d) the mathematical reserves 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;
- e) in preparing the return, the directors have taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

**ROTHESAY LIFE LIMITED**  
For the year ended 31 December 2012

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***DIRECTORS' CERTIFICATE***

**Directors' Certificate required by Rule 9.34 (1) of the Prudential Sourcebook for Insurers in accordance with Appendix 9.6**

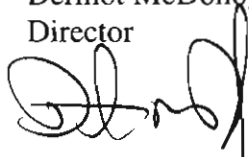


Keith Satchell,  
Chairman



Addy Loudiadis,  
Chief Executive

Dermot McDonogh,  
Director



Peterborough Court  
133 Fleet Street  
London  
EC4A 2BB

14 March 2013



## **Auditors' report: Regulatory Return for a life insurance company**

### **ROTHESAY LIFE LIMITED**

#### **Global business**

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

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

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

- Forms 2, 3, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60, including the supplementary notes on pages 1, 3, 6, 9, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 24, 32, 34, 35, 37, 38, 39, 40, 41, 42 and 43 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on pages 45 to 46 ('the statement'); and
- the valuation report required by IPRU(INS) rule 9.31(a) on pages 49 to 59 ('the valuation report');

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

- Forms 46, 47, 50, 51, 53, 54 and 57 (including the supplementary notes) on pages 21, 22, 25, 26, 27, 28, 29, 30, 31 and 33;
- the statements required by IPRU(INS) rules 9.30 and on pages 47 to 48; and
- the certificate required by IPRU(INS) rule 9.34(1) on pages 61 to 62.

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by directions issued under section 148 of the Financial Services and Markets Act 2000 on 18 September 2008, and 10 November 2011. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

This report has been prepared for the directors of the insurer to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report,

accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

### **Basis of opinion**

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

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

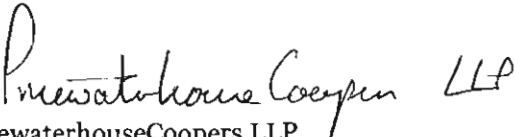
In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid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

### **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 appropriately reflect the requirements of INSPRU 1.2.

  
PricewaterhouseCoopers LLP  
Chartered Accountants

14 March 2013