

**Direct Line Life Insurance Company
Limited**

Annual FSA Insurance Returns for the year ended

31 December 2011

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

Direct Line Life Insurance Company Limited

Year Ended 31st December 2011

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Statement of solvency - long-term insurance business

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Solo solvency calculation

| R2 | Company registration number | GL/UK/CM | day month year | | | Units |
|----|-----------------------------|----------|----------------------------------|----|------|--------------------------------|
| | | | 31 | 12 | 2011 | |
| | 2199286 | GL | | | | £000 |
| | | | As at end of this financial year | | | As at end of the previous year |
| | | | 1 | | | 2 |

Capital resources

| | | | |
|---|----|-------|-------|
| Capital resources arising within the long-term insurance fund | 11 | 39366 | 89970 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 17584 | 9374 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 56950 | 99344 |

Guarantee fund

| | | | |
|--|----|-------|-------|
| Guarantee fund requirement | 21 | 10142 | 10866 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 46808 | 88478 |

Minimum capital requirement (MCR)

| | | | |
|--|----|-------|-------|
| Long-term insurance capital requirement | 31 | 30426 | 32599 |
| Resilience capital requirement | 32 | | |
| Base capital resources requirement | 33 | 3056 | 3040 |
| Individual minimum capital requirement | 34 | 30426 | 32599 |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34+35) | 36 | 30426 | 32599 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 38237 | 79545 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 34131 | 74895 |

Enhanced capital requirement

| | | | |
|--|----|-------|-------|
| With-profits insurance capital component | 39 | | |
| Enhanced capital requirement | 40 | 30426 | 32599 |

Capital resources requirement (CRR)

| | | | |
|--|----|-------|-------|
| Capital resources requirement (greater of 36 and 40) | 41 | 30426 | 32599 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 26524 | 66745 |

Contingent liabilities

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

Covering Sheet to Form 2

Name of insurer

Direct Line Life Insurance Company Limited

Global business

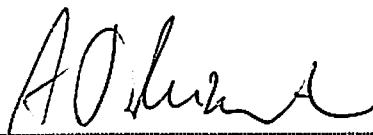
Financial year ended

31 December 2011



P R GEDDES

Director



A J REIZENSTEIN

Director



T WOOLGROVE

Director

26 March 2012

Components of capital resources

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

| | Company registration number | GU/UK/CM | day month year | | | Units | |
|--|-----------------------------|----------|---------------------------------|-----------------------------------|---|---|------|
| | R3 | 2199286 | GL | 31 | 12 | 2011 | £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 | | 44000 | 44000 | 44000 |
| Profit and loss account and other reserves | 12 | | 9475 | 9475 | 52477 |
| Share premium account | 13 | | | | |
| Positive valuation differences | 14 | | | | |
| Fund for future appropriations | 15 | | | | |
| Core tier one capital in related undertakings | 16 | | | | |
| Core tier one capital (sum of 11 to 16) | 19 | | 53475 | 53475 | 96477 |

Tier one waivers

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

Other tier one capital

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

| | | | | | |
|---|-----------|--|--------------|--------------|--------------|
| Total tier one capital before deductions (19+24+25+26+27+28) | 31 | | 53475 | 53475 | 96477 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | | | |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | 25 | 25 | 633 |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | 25 | 25 | 633 |
| Total tier one capital after deductions (31-37) | 39 | | 53450 | 53450 | 95844 |

Components of capital resources

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

| | Company registration number | GL/UK/CM | day | month | year | Units | |
|--|-----------------------------|----------------------------|------------------------------|--|--|-------|------|
| | R3 | 2199286 | GL | 31 | 12 | 2011 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | | |
| | | 1 | 2 | 3 | 4 | | |

Tier two capital

| | | | | | |
|---|----|--|------|------|------|
| Implicit items, (tier two waivers and amounts excluded from line 22) | 41 | | | | |
| Perpetual non-cumulative preference shares excluded from line 25 | 42 | | | | |
| Innovative tier one capital excluded from line 27 | 43 | | | | |
| Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43) | 44 | | | | |
| Perpetual cumulative preference shares | 45 | | | | |
| Perpetual subordinated debt and securities | 46 | | 3500 | 3500 | 3500 |
| Upper tier two capital in related undertakings | 47 | | | | |
| Upper tier two capital (44 to 47) | 49 | | 3500 | 3500 | 3500 |

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

| | | | | | |
|---|----|--|------|------|------|
| Total tier two capital before restrictions (49+59) | 61 | | 3500 | 3500 | 3500 |
| Excess tier two capital | 62 | | | | |
| Further excess lower tier two capital | 63 | | | | |
| Total tier two capital after restrictions, before deductions (61-62-63) | 69 | | 3500 | 3500 | 3500 |

Components of capital resources

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

| R3 | Company registration number | GL/UK/CM | day month year | | | Units |
|----|-----------------------------|----------------------------|------------------------------|--|--|-------|
| | | | 31 | 12 | 2011 | |
| | 2199286 | GL | | | | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | 4 | |

Total capital resources

| | | | | | |
|---|-----------|--|-------|-------|-------|
| Positive adjustments for regulated non-insurance related undertakings | 71 | | | | |
| Total capital resources before deductions (39+69+71) | 72 | | 56950 | 56950 | 99344 |
| Inadmissible assets other than intangibles and own shares | 73 | | | | |
| Assets in excess of market risk and counterparty limits | 74 | | | | |
| Deductions for related ancillary services undertakings | 75 | | | | |
| Deductions for regulated non-insurance related undertakings | 76 | | | | |
| Deductions of ineligible surplus capital | 77 | | | | |
| Total capital resources after deductions (72-73-74-75-76-77) | 79 | | 56950 | 56950 | 99344 |

Available capital resources for GENPRU/INSRU tests

| | | | | | |
|--|----|--|-------|-------|-------|
| Available capital resources for guarantee fund requirement | 81 | | 56950 | 56950 | 99344 |
| Available capital resources for 50% MCR requirement | 82 | | 53450 | 53450 | 95844 |
| Available capital resources for 75% MCR requirement | 83 | | 56950 | 56950 | 99344 |

Financial engineering adjustments

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

Calculation of general insurance capital requirement - premiums amount and brought forward amount

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Long term insurance business

| | | Company registration number | GL/UK/CM | day month year | | | Units | |
|---|--|-----------------------------|----------|----------------|---------------------|----|---------------|------|
| | | R11 | 2199286 | GL | 31 | 12 | 2011 | £000 |
| | | | | | This financial year | | Previous year | |
| | | | | | 1 | | 2 | |
| Gross premiums written | | | | 11 | 3799 | | 3992 | |
| Premiums taxes and levies (included in line 11) | | | | 12 | | | | |
| Premiums written net of taxes and levies (11-12) | | | | 13 | 3799 | | 3992 | |
| Premiums for classes 11, 12 or 13 (included in line 13) | | | | 14 | | | | |
| Premiums for "actuarial health insurance" (included in line 13) | | | | 15 | 3229 | | 3394 | |
| Sub-total A (13 + 1/2 14 - 2/3 15) | | | | 16 | 1646 | | 1730 | |
| Gross premiums earned | | | | 21 | 3799 | | 3992 | |
| Premium taxes and levies (included in line 21) | | | | 22 | | | | |
| Premiums earned net of taxes and levies (21-22) | | | | 23 | 3799 | | 3992 | |
| Premiums for classes 11, 12 or 13 (included in line 23) | | | | 24 | | | | |
| Premiums for "actuarial health insurance" (included in line 23) | | | | 25 | 3229 | | 3394 | |
| Sub-total H (23 + 1/2 24 - 2/3 25) | | | | 26 | 1646 | | 1730 | |
| Sub-total I (higher of sub-total A and sub-total H) | | | | 30 | 1646 | | 1730 | |
| Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure | | | | 31 | | | | |
| Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate) | x 0.18 | | | 32 | 296 | | 311 | |
| | Excess (if any) over 57.5M EURO x 0.02 | | | 33 | | | | |
| Sub-total J (32-33) | | | | 34 | 296 | | 311 | |
| Claims paid in period of 3 financial years | | | | 41 | 11959 | | 12464 | |
| Claims outstanding carried forward at the end of the 3 year period | For insurance business accounted for on an underwriting year basis | | | 42 | 535 | | 555 | |
| | For insurance business accounted for on an accident year basis | | | 43 | | | | |
| Claims outstanding brought forward at the beginning of the 3 year period | For insurance business accounted for on an underwriting year basis | | | 44 | | | | |
| | For insurance business accounted for on an accident year basis | | | 45 | | | | |
| Sub-total C (41+42+43-44-45) | | | | 46 | 12494 | | 13019 | |
| Amounts recoverable from reinsurers in respect of claims included in Sub-total C | | | | 47 | 10866 | | 11332 | |
| Sub-total D (46-47) | | | | 48 | 1628 | | 1687 | |
| Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00) | | | | 49 | 0.50 | | 0.50 | |
| Premiums amount (Sub-total J x reinsurance ratio) | | | | 50 | 148 | | 156 | |
| Provision for claims outstanding (before discounting and net of reinsurance) | | | | 51 | 268 | | 278 | |
| Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero | | | | 52 | | | | |
| Brought forward amount (See instruction 4) | | | | 53 | 544 | | 466 | |
| Greater of lines 50 and 53 | | | | 54 | 544 | | 466 | |

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Long term insurance business

| | | Company registration number | GL/ UK/ CM | day month year | | | Units | |
|--|--|-----------------------------------|------------------|----------------|----|----|--------------------|------|
| | | R12 | 2199286 | GL | 31 | 12 | 2011 | £000 |
| | | This financial year 1 | | | | | Previous year 2 | |
| Reference period (No. of months) See INSPRU 1.1.63R | | 11 | | 36 | | | 36 | |
| Claims paid in reference period | | 21 | | 11959 | | | 12464 | |
| Claims outstanding carried forward at the end of the reference period | For insurance business accounted for on an underwriting year basis | 22 | | 535 | | | 555 | |
| | For insurance business accounted for on an accident year basis | 23 | | | | | | |
| Claims outstanding brought forward at the beginning of the reference period | For insurance business accounted for on an underwriting year basis | 24 | | | | | | |
| | For insurance business accounted for on an accident year basis | 25 | | | | | | |
| Claims incurred in reference period (21+22+23-24-25) | | 26 | | 12494 | | | 13019 | |
| Claims incurred for classes 11, 12 or 13 (included in 26) | | 27 | | | | | | |
| Claims incurred for "actuarial health insurance" (included in 26) | | 28 | | | | | | |
| Sub-total E (26 +1/2 27 - 2/3 28) | | 29 | | 12494 | | | 13019 | |
| Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period) | | 31 | | 4165 | | | 4340 | |
| Division of sub-total F (gross adjusted claims amount) | x 0.26 | 32 | | 1083 | | | 1128 | |
| | Excess (if any) over 40.3M EURO x 0.03 | 33 | | | | | | |
| Sub-total G (32-33) | | 39 | | 1083 | | | 1128 | |
| Claims amount Sub-total G x reinsurance ratio (11.49) | | 41 | | 541 | | | 564 | |
| Higher of premiums amount and brought forward amount (11.54) | | 42 | | 544 | | | 466 | |
| General insurance capital requirement (higher of lines 41 and 42) | | 43 | | 544 | | | 564 | |

Analysis of admissible assets

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Category of assets **Total other than long term insurance business assets**

| R13 | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|--------------------|-----------------------------|----------|----------------|----|------|----------------------------------|--------------------------------|
| | | | 31 | 12 | 2011 | | |
| | 2199286 | GL | 31 | 12 | 2011 | £000 | 1 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | 11 | | | | |

Investments in group undertakings and participating interests

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

Other financial investments

| | | | | |
|--|--------------------------------|----|-------|------|
| Equity shares | 41 | | | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | | | |
| Rights under derivative contracts | 44 | | | |
| Fixed interest securities | Approved | 45 | | |
| | Other | 46 | | |
| Variable interest securities | Approved | 47 | | |
| | Other | 48 | | |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | | | |
| Other loans | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 13550 | 5496 |
| | More than one month withdrawal | 55 | 4458 | 3999 |
| 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 **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

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 | 2199286 | GL | 31 | 12 | 2011 | £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 | |
| | due in more than 12 months | 79 | |

Other assets

| | | | |
|---|----|----|---|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | | |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 13 | 5 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | | |

| | | | |
|---|----|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|----|--|--|

| | | | |
|---|----|-------|------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 18021 | 9500 |
|---|----|-------|------|

Analysis of admissible assets

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

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 | 2199286 | GL | 31 | 12 | 2011 | £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 | 18021 | 9500 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | | |
| Other asset adjustments (may be negative) | 101 | | |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 18021 | 9500 |

| | | | |
|---|-----|--|--|
| 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 **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Category of assets **Total long term insurance business assets**

| | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|--|--------------------------------|----------|----------------|----|----------------------------------|-------|--------------------------------|
| R13 | 2199286 | GL | 31 | 12 | 2011 | £000 | 10 |
| | | | | | As at end of this financial year | | As at end of the previous year |
| | | | | | 1 | | 2 |
| Land and buildings | | | 11 | | | | |
| Investments in group undertakings and participating interests | | | | | | | |
| UK insurance dependants | Shares | | 21 | | | | |
| | Debts and loans | | 22 | | | | |
| Other insurance dependants | Shares | | 23 | | | | |
| | Debts and loans | | 24 | | | | |
| Non-insurance dependants | Shares | | 25 | | | | |
| | Debts and loans | | 26 | | | | |
| Other group undertakings | Shares | | 27 | | | | |
| | Debts and loans | | 28 | | | | |
| Participating interests | Shares | | 29 | | | | |
| | Debts and loans | | 30 | | | | |
| Other financial investments | | | | | | | |
| Equity shares | | | 41 | | | | |
| Other shares and other variable yield participations | | | 42 | | | | |
| Holdings in collective investment schemes | | | 43 | | | | |
| Rights under derivative contracts | | | 44 | | | | |
| Fixed interest securities | Approved | | 45 | | 41515 | | 50275 |
| | 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 | | 22922 | | 30926 |
| | More than one month withdrawal | | 55 | | 7542 | | 22502 |
| 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 **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Category of assets **Total long term insurance business assets**

| R13 | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|-----|-----------------------------|----------|----------------|----|------|----------------------------------|--------------------------------|
| | | | 31 | 12 | 2011 | | |
| | 2199286 | GL | | | | £000 | 10 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|----|------|------|
| Direct insurance business | Policyholders | 71 | 1564 | 1296 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | 1486 | 1936 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 3917 | 2723 |
| | due in more than 12 months | 79 | | |

Other assets

| | | | |
|---|----|-------|-------|
| Tangible assets | 80 | 3 | 7 |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 104 | 202 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | | |
| Accrued interest and rent | 84 | 1042 | 1070 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | 10947 | 10018 |

| | | | |
|---|----|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|----|--|--|

| | | | |
|---|----|-------|--------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 91042 | 120955 |
|---|----|-------|--------|

Analysis of admissible assets

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

Category of assets **Total long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13 | 2199286 | GL | 31 | 12 | 2011 | £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 | 91042 | 120955 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | 25 | 33 |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 82762 | 58314 |
| 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 | 173829 | 179302 |
| 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 **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**Total business/Sub fund **Ordinary Long Term**Units **£000**

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

| | | | | |
|--|---------------------------|-------|--------|------|
| Mathematical reserves, after distribution of surplus | 11 | 14380 | 15659 | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | | |
| Balance of surplus/(valuation deficit) | 13 | 39366 | 89970 | |
| Long term insurance business fund carried forward (11 to 13) | 14 | 53746 | 105629 | |
| Claims outstanding | Gross | 15 | 4867 | 5814 |
| | Reinsurers' share | 16 | 4129 | 5021 |
| | Net (15-16) | 17 | 738 | 793 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | 23 | | | |
| Creditors | Direct insurance business | 31 | 1237 | 1083 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 34 | 39 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | 36 | | | |
| Creditors | Taxation | 37 | 1933 | 4271 |
| | Other | 38 | 33354 | 9160 |
| Accruals and deferred income | 39 | | | |
| Provision for "reasonably foreseeable adverse variations" | 41 | | | |
| Total other insurance and non-insurance liabilities (17 to 41) | 49 | 37296 | 15326 | |
| Excess of the value of net admissible assets | 51 | | | |
| Total liabilities and margins | 59 | 91042 | 120955 | |

| | | | |
|--|----|-------|------|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 33090 | 7856 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | | |

| | | | |
|---|----|--------|--------|
| Total liabilities (11+12+49) | 71 | 51676 | 30985 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 82762 | 58314 |
| Other adjustments to liabilities (may be negative) | 74 | | (600) |
| Capital and reserves and fund for future appropriations | 75 | 53475 | 96477 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75) | 76 | 187913 | 185176 |

Liabilities (other than long term insurance business)

Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

| | Company registration number | GL/ UK/ CM | day month year | | | Units | |
|--|-----------------------------------|------------------|----------------|--|----|-------|--------------------------------------|
| | R15 | 2199286 | GL | 31 | 12 | 2011 | £000 |
| | | | | As at end of this financial year | | | As at end of the previous year |
| | | | | 1 | | | 2 |

Technical provisions (gross amount)

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

Provisions and creditors

| | | | | |
|---|---------------------------|----|------|------|
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | | 31 | | |
| Creditors | Direct insurance business | 41 | | |
| | Reinsurance accepted | 42 | | |
| | Reinsurance ceded | 43 | | |
| Debenture loans | Secured | 44 | | |
| | Unsecured | 45 | | |
| Amounts owed to credit institutions | | 46 | | |
| Creditors | Taxation | 47 | 437 | 126 |
| | Foreseeable dividend | 48 | | |
| | Other | 49 | | |
| Accruals and deferred income | | 51 | | |
| Total (19 to 51) | | 59 | 437 | 126 |
| Provision for "reasonably foreseeable adverse variations" | | 61 | | |
| Cumulative preference share capital | | 62 | | |
| Subordinated loan capital | | 63 | 3500 | 3500 |
| Total (59 to 63) | | 69 | 3937 | 3626 |

| | | | |
|---|----|--|--|
| Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance | 71 | | |
|---|----|--|--|

| | | | |
|--|----|------|------|
| Amounts deducted from technical provisions for discounting | 82 | | |
| Other adjustments (may be negative) | 83 | | |
| Capital and reserves | 84 | | |
| 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 | 3937 | 3626 |

Profit and loss account (non-technical account)Name of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**

| | | Company registration number | GL/ UK/ CM | day | month | year | Units | |
|---|---|-----------------------------------|------------------|----------------------------|-------|----------------------|-------|------|
| | | R16 | 2199286 | GL | 31 | 12 | 2011 | £000 |
| | | | | This financial year | | Previous year | | |
| | | | | 1 | | 2 | | |
| Transfer (to)/from the general insurance business technical account | From Form 20 | | 11 | | | | | |
| | Equalisation provisions | | 12 | | | | | |
| Transfer from the long term insurance business revenue account | | | 13 | | | 57000 | | |
| Investment income | Income | | 14 | | | 1649 | 452 | |
| | Value re-adjustments on investments | | 15 | | | | | |
| | Gains on the realisation of investments | | 16 | | | | | |
| Investment charges | Investment management charges, including interest | | 17 | | | | | |
| | Value re-adjustments on investments | | 18 | | | | | |
| | Loss on the realisation of investments | | 19 | | | | | |
| Allocated investment return transferred to the general insurance business technical account | | | 20 | | | | | |
| Other income and charges (particulars to be specified by way of supplementary note) | | | 21 | | | | | |
| Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21) | | | 29 | | | 58649 | 452 | |
| Tax on profit or loss on ordinary activities | | | 31 | | | 437 | 126 | |
| Profit or loss on ordinary activities after tax (29-31) | | | 39 | | | 58212 | 326 | |
| Extraordinary profit or loss (particulars to be specified by way of supplementary note) | | | 41 | | | | | |
| Tax on extraordinary profit or loss | | | 42 | | | | | |
| Other taxes not shown under the preceding items | | | 43 | | | | | |
| Profit or loss for the financial year (39+41-(42+43)) | | | 49 | | | 58212 | 326 | |
| Dividends (paid or foreseeable) | | | 51 | | | 50000 | | |
| Profit or loss retained for the financial year (49-51) | | | 59 | | | 8212 | 326 | |

Long-term insurance business : Revenue account

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2011**
 Units **£000**

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

Income

| | | | |
|--|-----------|--------------|--------------|
| Earned premiums | 11 | 22646 | 25979 |
| Investment income receivable before deduction of tax | 12 | 514 | 2145 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 614 | 517 |
| Increase (decrease) in the value of linked assets | 14 | | |
| Other income | 15 | 1 | 2 |
| Total income | 19 | 23775 | 28643 |

Expenditure

| | | | |
|--|-----------|--------------|--------------|
| Claims incurred | 21 | 6322 | 7528 |
| Expenses payable | 22 | 10697 | 15701 |
| Interest payable before the deduction of tax | 23 | | |
| Taxation | 24 | 1639 | 5222 |
| Other expenditure | 25 | | |
| Transfer to (from) non technical account | 26 | 57000 | |
| Total expenditure | 29 | 75658 | 28451 |

| | | | |
|---|----|---------|--------|
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | (51883) | 192 |
| Fund brought forward | 49 | 105629 | 105437 |
| Fund carried forward (39+49) | 59 | 53746 | 105629 |

Long-term insurance business : Analysis of premiums

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

| | | | | | | |
|------------------|----|-------|--|--|-------|-------|
| Regular premiums | 11 | 41080 | | | 41080 | 43572 |
| Single premiums | 12 | 6976 | | | 6976 | 8689 |

Reinsurance - external

| | | | | | | |
|------------------|----|-------|--|--|-------|-------|
| Regular premiums | 13 | 25410 | | | 25410 | 26282 |
| Single premiums | 14 | | | | | |

Reinsurance - Intra-group

| | | | | | | |
|------------------|----|--|--|--|--|--|
| Regular premiums | 15 | | | | | |
| Single premiums | 16 | | | | | |

Net of reinsurance

| | | | | | | |
|------------------|----|-------|--|--|-------|-------|
| Regular premiums | 17 | 15670 | | | 15670 | 17290 |
| Single premiums | 18 | 6976 | | | 6976 | 8689 |

Total

| | | | | | | |
|-------------|----|-------|--|--|-------|-------|
| Gross | 19 | 48056 | | | 48056 | 52261 |
| Reinsurance | 20 | 25410 | | | 25410 | 26282 |
| Net | 21 | 22646 | | | 22646 | 25979 |

Long-term insurance business : Analysis of claims

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2011**
 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 | 22481 | | | 22481 | 24459 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | | | | | |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | | | | | |
| Total | 16 | 22481 | | | 22481 | 24459 |

Reinsurance - external

| | | | | | | |
|--------------------------------|-----------|--------------|--|--|--------------|--------------|
| Death or disability lump sums | 21 | 16159 | | | 16159 | 16931 |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | | | | | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | |
| Total | 26 | 16159 | | | 16159 | 16931 |

Reinsurance - Intra-group

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

Net of reinsurance

| | | | | | | |
|--------------------------------|-----------|-------------|--|--|-------------|-------------|
| Death or disability lump sums | 41 | 6322 | | | 6322 | 7528 |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | | | | | |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | | | | | |
| Total | 46 | 6322 | | | 6322 | 7528 |

Long-term insurance business : Analysis of expenses

Name of insurer **Direct Line Life Insurance Company Limited**
Total business / subfund **Ordinary Long Term**
Financial year ended **31 December 2011**
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 | 1297 | | 1297 | 3690 |
| Management - acquisition | 13 | 2197 | | 2197 | 3423 |
| Management - maintenance | 14 | 1808 | | 1808 | 1475 |
| Management - other | 15 | 5395 | | 5395 | 7113 |
| Total | 16 | 10697 | | 10697 | 15701 |

Reinsurance - external

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

Reinsurance - Intra-group

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

Net of reinsurance

| | | | | | |
|--------------------------|-----------|--------------|--|--------------|--------------|
| Commission - acquisition | 41 | | | | |
| Commission - other | 42 | 1297 | | 1297 | 3690 |
| Management - acquisition | 43 | 2197 | | 2197 | 3423 |
| Management - maintenance | 44 | 1808 | | 1808 | 1475 |
| Management - other | 45 | 5395 | | 5395 | 7113 |
| Total | 46 | 10697 | | 10697 | 15701 |

Long-term insurance business : Summary of new businessName of insurer **Direct Line Life Insurance Company Limited**

Total business

Financial year ended **31 December 2011**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 | 1859 | | | 1859 | 5058 |
| Single premium business | 12 | 12 | | | 12 | 12 |
| Total | 13 | 1871 | | | 1871 | 5070 |

**Amount of new regular
premiums**

| | | | | | | |
|---------------------------|-----------|------------|--|--|------------|-------------|
| Direct insurance business | 21 | 560 | | | 560 | 1457 |
| External reinsurance | 22 | | | | | |
| Intra-group reinsurance | 23 | | | | | |
| Total | 24 | 560 | | | 560 | 1457 |

**Amount of new single
premiums**

| | | | | | | |
|---------------------------|-----------|-------------|--|--|-------------|-------------|
| Direct insurance business | 25 | 6976 | | | 6976 | 8690 |
| External reinsurance | 26 | | | | | |
| Intra-group reinsurance | 27 | | | | | |
| Total | 28 | 6976 | | | 6976 | 8690 |

Long-term insurance business : Analysis of new business

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business
 Financial year ended **31 December 2011**
 Units **£000**
 UK Life / Direct Insurance Business

| Product code number 1 | Product description 2 | Regular premium business | | Single premium business | |
|--------------------------|--|---|-------------------------|---|-------------------------|
| | | Number of policyholders / scheme members 3 | Amount of premiums 4 | Number of policyholders / scheme members 5 | Amount of premiums 6 |
| 300 | Regular premium non-profit WL/EA OB | 99 | 25 | | |
| 325 | Level term assurance | 992 | 284 | | |
| 330 | Decreasing term assurance | 546 | 139 | | |
| 345 | Accelerated critical illness (reviewable premiums) | 222 | 112 | | |
| 415 | Collective life | | | 12 | 6976 |
| | | | | | |
| | | | | | |
| | | | | | |
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| | | | | | |

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

Name of insurer **Direct Line Life Insurance Company Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2011**
 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 | 42489 | 42489 | 1793 | 0.02 | |
| Other fixed interest securities | 13 | | | | | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 48553 | 48553 | 304 | 0.01 | |
| Total | 19 | 91042 | 91042 | 2097 | 0.01 | |

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

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

Overall return on with-profits assets

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

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2011**
 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 | 93013 | | 93013 | 68951 |
| Form 52 | 13 | | | | |
| Form 53 - linked | 14 | | | | |
| Form 53 - non-linked | 15 | | | | |
| Form 54 - linked | 16 | | | | |
| Form 54 - non-linked | 17 | | | | |
| Total | 18 | 93013 | | 93013 | 68951 |

Reinsurance - external

| | | | | | |
|------------------------|-----------|--------------|--|--------------|--------------|
| Form 51 - with-profits | 21 | | | | |
| Form 51 - non-profit | 22 | 78633 | | 78633 | 53292 |
| Form 52 | 23 | | | | |
| Form 53 - linked | 24 | | | | |
| Form 53 - non-linked | 25 | | | | |
| Form 54 - linked | 26 | | | | |
| Form 54 - non-linked | 27 | | | | |
| Total | 28 | 78633 | | 78633 | 53292 |

Reinsurance - intra-group

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

Net of reinsurance

| | | | | | |
|------------------------|-----------|--------------|--|--------------|--------------|
| Form 51 - with-profits | 41 | | | | |
| Form 51 - non-profit | 42 | 14380 | | 14380 | 15659 |
| Form 52 | 43 | | | | |
| Form 53 - linked | 44 | | | | |
| Form 53 - non-linked | 45 | | | | |
| Form 54 - linked | 46 | | | | |
| Form 54 - non-linked | 47 | | | | |
| Total | 48 | 14380 | | 14380 | 15659 |

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

Name of insurer **Direct Line Life Insurance Company Limited**
Total business / subfund **Ordinary Long Term**
Financial year ended **31 December 2011**
Units **£000**
UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 300 | Regular premium non-profit WL/EA OB | 4209 | 16259 | 865 | | | | 2352 |
| 325 | Level term assurance | 108239 | 10897299 | 23283 | | | | 58998 |
| 330 | Decreasing term assurance | 40059 | 3747963 | 8521 | | | | 6722 |
| 340 | Accelerated critical illness (guaranteed premiums) | 1118 | 81127 | 332 | | | | 3298 |
| 345 | Accelerated critical illness (reviewable premiums) | 14486 | 1325676 | 6648 | | | | 14728 |
| 355 | Stand-alone critical illness (reviewable premiums) | 273 | 13285 | 54 | | | | 300 |
| 365 | Income protection non-profit (reviewable premiums) | 282 | 3059 | 51 | | | | 46 |
| 380 | Miscellaneous protection rider | | | 1 | | | | 1 |
| 385 | Income protection claims in payment | | | | | | | 535 |
| 410 | Group Life | | 2563395 | | | | | 6035 |
| 440 | Additional reserves non-profit OB | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2011**
 Units **£000**
 UK Life / Reinsurance ceded external

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 300 | Regular premium non-profit WL/EA OB | | 200 | 6 | | | | 22 |
| 325 | Level term assurance | | 9440093 | 19932 | | | | 54721 |
| 330 | Decreasing term assurance | | 3291645 | 7276 | | | | 5778 |
| 340 | Accelerated critical illness (guaranteed premiums) | | 73014 | 299 | | | | 3014 |
| 345 | Accelerated critical illness (reviewable premiums) | | 1193108 | 5983 | | | | 14505 |
| 355 | Stand-alone critical illness (reviewable premiums) | | 11938 | 49 | | | | 296 |
| 365 | Income protection non-profit (reviewable premiums) | | 1490 | 25 | | | | 29 |
| 380 | Miscellaneous protection rider | | | | | | | 0 |
| 385 | Income protection claims in payment | | | | | | | 268 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Direct Line Life Insurance Company Limited**Total business **Ordinary Long Term**Financial year ended **31 December 2011**Units **£000**

| Product group 1 | Net mathematical reserves 2 | Net valuation interest rate 3 | Gross valuation interest rate 4 | Risk adjusted yield on matching assets 5 |
|--|--------------------------------|----------------------------------|------------------------------------|---|
| UK Life NP Form 51 assurances (excluding credit assurance) | 8345 | | 0.01 | 0.02 |
| UK L&GA Form 51 Credit Assurance | 6035 | | | 0.01 |
| UK Other Additional Reserves | | | | |
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| | | | | |
| | | | | |
| | | | | |
| Total | 14380 | | | |

Long-term insurance business : Distribution of surplus

Name of insurer **Direct Line Life Insurance Company Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2011**
 Units **£000**

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

Valuation result

| | | | |
|---|----|--------|--------|
| Fund carried forward | 11 | 53746 | 105629 |
| Bonus payments in anticipation of a surplus | 12 | | |
| Transfer to non-technical account | 13 | 57000 | |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 110746 | 105629 |
| Mathematical reserves | 21 | 14380 | 15659 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 96366 | 89970 |

Composition of surplus

| | | | |
|---|----|-------|-------|
| Balance brought forward | 31 | 89970 | 80950 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 6396 | 9020 |
| Total | 39 | 96366 | 89970 |

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 | 57000 | |
| Total distributed surplus (46+47) | 48 | 57000 | |
| Surplus carried forward | 49 | 39366 | 89970 |
| Total (48+49) | 59 | 96366 | 89970 |

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance capital requirementName of insurer **Direct Line Life Insurance Company Limited**

Global business

Financial year ended **31 December 2011**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% | 614124 | 614124 | 0.50 | 307 | 84 |
| Classes I (other), II and IX | 13 | 0.15% | 632435 | 632435 | | 474 | 893 |
| Classes I (other), II and IX | 14 | 0.3% | 17293028 | 3373007 | | 25940 | 28713 |
| Classes III, VII and VIII | 15 | 0.3% | | | | | |
| Total | 16 | | 18539587 | 4619566 | | 26721 | 29690 |

Insurance health risk and life protection reinsurance capital component

| | | | | | | | |
|--|----|--|--|--|--|-----|-----|
| Class IV supplementary classes 1 and 2 and life protection reinsurance | 21 | | | | | 544 | 564 |
|--|----|--|--|--|--|-----|-----|

Insurance expense risk capital component

| | | | | | | | |
|--|-----------|-----|-------|-------|------|------------|------------|
| Life protection and permanent health reinsurance | 31 | 0% | | | | | |
| Classes I (other), II and IX | 32 | 1% | 92132 | 14092 | 0.85 | 783 | 579 |
| Classes III, VII and VIII (investment risk) | 33 | 1% | | | | | |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 34 | 1% | | | | | |
| Classes III, VII and VIII (other) | 35 | 25% | | | | | |
| Class IV (other) | 36 | 1% | 881 | 288 | 0.85 | 7 | 7 |
| Class V | 37 | 1% | | | | | |
| Class VI | 38 | 1% | | | | | |
| Total | 39 | | | | | 790 | 586 |

Insurance market risk capital component

| | | | | | | | |
|--|-----------|----|--------------|--------------|------|-------------|-------------|
| Life protection and permanent health reinsurance | 41 | 0% | | | | | |
| Classes I (other), II and IX | 42 | 3% | 92132 | 14092 | 0.85 | 2349 | 1738 |
| Classes III, VII and VIII (investment risk) | 43 | 3% | | | | | |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 44 | 0% | | | | | |
| Classes III, VII and VIII (other) | 45 | 0% | | | | | |
| Class IV (other) | 46 | 3% | 881 | 288 | 0.85 | 22 | 21 |
| Class V | 47 | 0% | | | | | |
| Class VI | 48 | 3% | | | | | |
| Total | 49 | | 93013 | 14380 | | 2371 | 1759 |

| | | | | | | | |
|--|-----------|--|--|--|--|--------------|--------------|
| Long term insurance capital requirement | 51 | | | | | 30426 | 32599 |
|--|-----------|--|--|--|--|--------------|--------------|

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

Appendix 9.4

Abstract of valuation report

1. (1) The valuation date is 31 December 2011.

(2) The previous valuation date was 31 December 2010.

(3) No interim valuations have been carried out since the previous valuation date.

2. There have been no significant changes in existing products over the year although the company ceased to write new business during 2011.

3. (1) Not applicable

(2) The premium review on reviewable premium critical illness and accelerated critical illness policies written prior to October 2008 was completed during the year.

(3) Not applicable

(4) Not applicable

(5) Not applicable

(6) Not applicable

(7) Not applicable

(8) Not applicable

(9) Not applicable

(10) Not applicable

4. (1) All contracts, with the exception of group credit life business, have been valued by the gross premium method. Provision has been made for renewal expenses as described in paragraph 4(6). Reserves for reinsurance ceded have been calculated as the difference between reserves calculated gross and net of reinsurance.

The methods of valuation for credit insurance vary by the type of scheme, and are listed below.

- For the DLFS Mastercard credit card scheme, a reserve equal to twice the monthly premium (net of commission) payable in the month ending on the valuation date has been established. For all other credit card schemes, a reserve equal to the monthly premium (net of commission) payable in the month ending on the valuation date has been

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established. Due account is taken of the liability in respect of claims incurred but not reported by the valuation date.

- For the DLFS Loanguard scheme, reserves have been taken as 90% of a proportion of the single premium (net of commission where applicable), without adjusting for early redemptions after the scheme closed to new business. The proportion is calculated by dividing the outstanding term of the loan by the original term. The original term is between one and five years.
 - For the RBS Loanguard scheme, reserves have been taken as 90% of a proportion of the single premium (net of commission where applicable). The proportion is calculated by dividing the outstanding term of the loan by the original term. The original term is between six and ten years.
 - For the Natwest Personal Loans and Business Loans schemes, reserves have been taken as 95% of a proportion of the single premium (net of commission where applicable). The proportion is calculated by dividing the outstanding term of the loan by the original term. The original term is between one and ten years.
 - For other single premium loan schemes, reserves have been taken as 100% of a proportion of the single premium (net of commission where applicable). The proportion is calculated by dividing the outstanding term of the loan by the original term.
 - For Natwest Regular Premium Loans Schemes, a regular premium is payable to cover, in the event of death or sickness, the balance outstanding under a loan repaid by level instalments. For this scheme reserves are calculated as 100% of the next quarter's forecast premiums.
 - For any decreasing term assurance, fixed term assurance or whole of life policy providing a waiver of premium benefit or subject to an extra premium, the reserve has been increased by the annual amount of such premium less the proportion of benefit reinsured. Reserves in respect of premiums currently being waived are calculated as for outstanding claims under income protection contracts, by taking the annual claim amount and multiplying by an annuity factor calculated over the outstanding term of the policy.
- (2) No interest rate assumption is made for credit insurance. For all other product groups an interest rate of 1.2% was assumed at the end of the financial year in question, changed from 2.5% in the previous financial year.
- (3) To determine the risk adjusted yield in Form 57, the yield on all fixed interest securities was reduced by 0.1% to exclude that part of the yield that represents compensation for credit risk arising from the asset. This small adjustment reflects the high security of the bonds currently held within the asset portfolio.

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(4) The mortality bases used at the current and previous valuation date are listed below.

| Product type | 31 December 2011 | | 31 December 2010 | |
|--|--|--|--|--|
| | Male | Female | Male | Female |
| Credit insurance | n/a | n/a | n/a | n/a |
| Critical illness | Combined mortality/morbidity tables used - see (5) below | Combined mortality/morbidity tables used - see (5) below | Combined mortality/morbidity tables used - see (5) below | Combined mortality/morbidity tables used - see (5) below |
| Decreasing term assurance | 80% of TMN00 Ultimate for non-smokers and 80% of TMS00 Ultimate for smokers | 80% of TFN00 Ultimate for non-smokers and 80% of TFS00 Ultimate for smokers | 80% of TMN00 Ultimate for non-smokers and 80% of TMS00 Ultimate for smokers | 80% of TFN00 Ultimate for non-smokers and 80% of TFS00 Ultimate for smokers |
| Level term assurance | 80% of TMN00 Ultimate for non-smokers and 80% of TMS00 Ultimate for smokers | 80% of TFN00 Ultimate for non-smokers and 80% of TFS00 Ultimate for smokers | 80% of TMN00 Ultimate for non-smokers and 80% of TMS00 Ultimate for smokers | 80% of TFN00 Ultimate for non-smokers and 80% of TFS00 Ultimate for smokers |
| Whole life | 80% of TMN00 Ultimate for non-smokers and 85% of TMS00 Ultimate for smokers | 80% of TFN00 Ultimate for non-smokers and 85% of TFS00 Ultimate for smokers | 80% of TMN00 Ultimate for non-smokers and 85% of TMS00 Ultimate for smokers | 80% of TFN00 Ultimate for non-smokers and 85% of TFS00 Ultimate for smokers |
| Income protection | 55% of TMN00 Ultimate for non-smokers and 55% of TMS00 Ultimate for smokers | 55% of TFN00 Ultimate for non-smokers and 55% of TFS00 Ultimate for smokers | 55% of TMN00 Ultimate for non-smokers and 55% of TMS00 Ultimate for smokers | 55% of TFN00 Ultimate for non-smokers and 55% of TFS00 Ultimate for smokers |
| Whole life Guaranteed Acceptance Product | X% of Interim Life Tables; where X% = 207% reducing linearly to 103.5% over 15 years, after which it remains constant at 103.5%. The Interim Life Tables are those published by the Government Actuary Department website in March 2006. | X% of Interim Life Tables; where X% = 207% reducing linearly to 103.5% over 15 years, after which it remains constant at 103.5%. The Interim Life Tables are those published by the Government Actuary Department website in March 2006. | X% of Interim Life Tables; where X% = 207% reducing linearly to 103.5% over 15 years, after which it remains constant at 103.5%. The Interim Life Tables are those published by the Government Actuary Department website in March 2006. | X% of Interim Life Tables; where X% = 207% reducing linearly to 103.5% over 15 years, after which it remains constant at 103.5%. The Interim Life Tables are those published by the Government Actuary Department website in March 2006. |

(5) The morbidity bases assumed for the income protection business are given below.

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- Inception rates of 120% DTS (basic) sickness and accident and termination rates of 56% DTS (basic) average of sickness and accident in the first two years and 80% DTS (basic) average of sickness and accident thereafter with an additional loading of 6.5% of the claim value. The DTS (basic) morbidity table is the Disability Table Study Basic Table. This is the 1985 CIDA (Commissioners Individual Disability Table A) without the valuation margin added.
- The above inception rates were increased by 50% for females and by 40% for smokers and by 100%, 200% and 300% for occupational classes II, III and IV respectively.

The morbidity bases assumed for the critical illness business are given below:

- For critical illness policies with guaranteed premiums, the inception rates for male and female non-smokers assumed in the valuation were modified CIBT93 male and CIBT93 female respectively. Rates from CIBT93 were multiplied by 120% and the ratio of TM92 (females – TF92) to ELT15M (females – ELT15F). For future years the rates are increased by 2.0% per annum to allow for possible deterioration in experience.
- For critical illness policies with reviewable premiums, the inception rates for males and females assumed in the valuation were modified CIBT93 male and CIBT93 female respectively. Rates from CIBT93 were multiplied by 115% and the ratio of TM92 (females – TF92) to ELT15M (females – ELT15F). For future years the rates are increased by 1.0% per annum to allow for possible deterioration in experience.
- For critical illness policies, with either reviewable or guaranteed premiums, for smokers the above rates were multiplied by 160% for accelerated critical illness policies and by 180% for standalone policies.

The morbidity inception rates for model ages for critical illness policies are given below.

| Inception Rates for accelerated CI (guaranteed premiums) | | | | |
|---|--------------------|---------------|----------------|---------------|
| | Non smokers | | Smokers | |
| Age | Male | Female | Male | Female |
| 25 | 0.00130 | 0.00097 | 0.00208 | 0.00156 |
| 35 | 0.00164 | 0.00186 | 0.00262 | 0.00298 |
| 45 | 0.00393 | 0.00373 | 0.00629 | 0.00596 |
| 55 | 0.01085 | 0.00817 | 0.01736 | 0.01308 |

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| Inception Rates for accelerated CI (reviewable premiums) | | | | |
|---|--------------------|---------------|----------------|---------------|
| | Non smokers | | Smokers | |
| Age | Male | Female | Male | Female |
| 25 | 0.00125 | 0.00093 | 0.00199 | 0.00149 |
| 35 | 0.00157 | 0.00178 | 0.00251 | 0.00285 |
| 45 | 0.00377 | 0.00357 | 0.00603 | 0.00571 |
| 55 | 0.01040 | 0.00783 | 0.01664 | 0.01253 |

| Inception Rates for stand alone CI (reviewable premiums) | | | | |
|---|--------------------|---------------|----------------|---------------|
| | Non smokers | | Smokers | |
| Age | Male | Female | Male | Female |
| 25 | 0.00125 | 0.00093 | 0.00224 | 0.00168 |
| 35 | 0.00157 | 0.00178 | 0.00282 | 0.00321 |
| 45 | 0.00377 | 0.00357 | 0.00678 | 0.00643 |
| 55 | 0.01040 | 0.00783 | 0.01872 | 0.01410 |

- (6) No expense assumption is made for credit insurance. For all other product groups renewal expenses were assumed to be £13.90 per policy per annum increasing at 5.5% per annum compound compared with the previous valuation assumption of £9.50 per policy per annum increasing at 4% per annum compound plus an allowance for third party administration fees in respect of the whole life guaranteed acceptance product. At this valuation the allowance for third party administration fees is included within the per policy expense assumption. No tax relief was assumed to be available on expenses and no Zillmer adjustment has been made.
- (7) Not applicable
- (8) Not applicable
- (9)

| Product | | Average lapse rate for policy years | | | |
|------------------------------|-------|--|-------------|--------------|--------------|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| Level Term | Lapse | 1.5%/12.5% | 1.5%/12.5% | 1.5%/12.5% | 1.5%/12.5% |
| Decreasing term | Lapse | 1.5%/12.5% | 1.5%/12.5% | 1.5%/12.5% | 1.5%/12.5% |
| Accelerated critical illness | Lapse | 4.5%/15.5% | 4.5%/15.5% | 4.5%/15.5% | 4.5%/15.5% |
| Whole Life GAP | Lapse | 0% | 0% | 0% | 0% |

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Income protection Lapse 1.5%/12.5% 1.5%/12.5% 1.5%/12.5% 1.5%/12.5%

Where two rates are shown above the lower rate is assumed when projected cashflows are negative and the higher rate when positive. The lapse assumption remains unchanged from previous valuation.

- (10) No credit has been taken for negative reserves.
- (11) Not applicable
- (12) No changes have been made in the year to the valuation methodology.
- 5 (1) Not applicable
- (2) Not applicable
- (3) No specific provision was considered necessary in respect of options to increase cover without further evidence of health.
- (4) Some policies have a waiver of premium benefit option (which must be selected at outset). The reserve held in respect of this business is one annual premium. The amount of annual premium and hence the additional gross reserve at the valuation date was £0.88k.
- 6 (1) The aggregate gross amount arising during the 12 months after the valuation date from explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is approximately £2.34 million from the release of the expense reserves described in paragraph 4(6) and £0.92 million from the release of premium margins expected to arise during the 12 months after the valuation date during the nil reinsurance premium period.
- (2) There is no implicit allowance for expenses.
- (3) Not applicable.
- (4) Not applicable, the company is closed to new business.
- (5) The company is closed to new business and the per policy expense allowances and the assumed expense inflation rate were set by reference to the total expenses of the company projected to be incurred in fulfilling the existing contracts following closure to new business.
- (6) Not applicable.
- 7 (1) All liabilities are payable in sterling and are matched by assets in the same currency. There are no liabilities in respect of deposits received from reinsurers.

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- (2)** All liabilities are payable in sterling.
 - (3)** Not applicable
 - (4)** No assets are held in equities or real estate. The most onerous scenario tested for the purposes of the resilience capital requirement required by INSPRU 3.1.16R, was a rise in yields of all fixed interest securities by 20% of the long term gilt yield.
 - (5)** Not applicable
 - (6)**
 - a. No resilience capital requirement was required.
 - b. The aggregated amount of the long-term insurance liabilities decreased by £347k.
 - c. The aggregate amount of assets allocated to match the liabilities decreased by £338k under the scenario described in point (4) above.
 - (7)** No further reserves are required to be set up as a result of the tests on assets in INSPRU 1.1.34R(2).
- 8** There are no other special reserves.
- 9 (1)** Not applicable.
- (2)(i)**
 - d. The Company has a reinsurance treaty with Munchener Ruckversicherungs-Gesellschaft AG in Munchen.
 - e. The treaty covers decreasing term assurance (mortgage protection and family income benefit ("FIB")), fixed term assurance and whole of life policies written before 1 October 1999. For business written before 3 July 1997, 50% of the mortality and critical illness benefit is reinsured subject to a maximum retention of £100,000 on any one life for policies with level benefit and £80,000 for policies with increasing benefits (for FIB the retention level is based on a commuted value of income payments). For business written after this date, reinsurance is on a surplus basis, with 100% of the benefit in excess of £200,000 being reinsured. The business ceded is reinsured on a level reinsurance premium rate basis.
 - f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011, net of reinsurance premium rebate receivable, were £191,923..
 - g. No amount was deposited by the reinsurer with the Company at the valuation date.
 - h. The treaty is closed to new business.
 - i. The Company has no undischarged obligation.

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- j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £0.25 million.**
 - 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.**
 - n. Not applicable**
 - o. Not applicable**
 - p. The Company has no undischarged obligation under any financing arrangement.**
- (2)(ii) d. The Company has a second treaty with Munchener Ruckversicherungs-Gesellschaft AG in Munchen.**
- e. The treaty covers income protection policies and waiver of premium benefit under decreasing term assurance (mortgage protection and FIB), fixed term assurance and whole of life policies. 50% of the benefit is reassured subject to a maximum retention of £12,500 per annum per life for policies with level benefits and £10,000 per annum for policies with increasing benefits. The business ceded is reinsured on a level reinsurance premium rate basis.**
 - f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011, net of reinsurance commission receivable, were £28,455.**
 - g. No amount was deposited by the reinsurer with the Company at the valuation date.**
 - h. The treaty is closed to new business**
 - i. The Company has no undischarged obligation.**
 - j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £0.30 million.**
 - 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.**
 - n. Not applicable**
 - o. Not applicable.**

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- p.** The Company has no undischarged obligation under any financing arrangement.
- (2)(iii) d.** The Company has a third treaty with Munchener Ruckversicherungs-Gesellschaft AG in Munchen.
- e.** The treaty covers fixed term assurance and decreasing term assurance (only mortgage protection) policies issued after 1 October 1999. 20% of the benefit is reassured subject to a maximum retention (after taking account of the reinsurance in (v) and (vi) below) of £200,000. The business ceded is reinsured on a guaranteed level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy.
 - f.** The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £590,449.
 - g.** No amount was deposited by the reinsurer with the Company at the valuation date.
 - h.** The treaty is closed to new business
 - i.** The Company has no undischarged obligation.
 - j.** The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £1.70 million.
 - 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.
 - n.** Not applicable
 - o.** Not applicable.
 - p.** The Company has no undischarged obligation under any financing arrangement.
- (2)(iv) d.** The Company has a fourth treaty with Munchener Ruckversicherungs-Gesellschaft AG in Munchen.
- e.** The treaty covers fixed term assurance and decreasing term assurance (mortgage protection only) policies issued on or after 1 February 2008. 90% of the benefit is reassured subject to a maximum retention of £200,000. The business ceded is reinsured on a level guaranteed reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy.
 - f.** The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £3,008,873.

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- g. No amount was deposited by the reinsurer with the Company at the valuation date.**
- h. The treaty is closed to new business.**
- i. The Company has no undischarged obligation.**
- j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £8.27 million.**
- 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.**
- n. Not applicable**
- o. Not applicable.**
- p. The Company has no undischarged obligation under any financing arrangement.**
- (2)(v)d. The Company has a treaty with GE Frankona Reassurance Limited. In 2005, GE Frankona Reassurance Limited was acquired by Swiss Re.**
- e. The treaty covers fixed term assurance and decreasing term assurance (only mortgage protection) policies issued after 1 October 1999. 10% of the benefit is reassured subject to a maximum retention (after taking account of the reinsurance in (iii) above and (vi) below) of £200,000. Higher risk policies will be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a guaranteed level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy.**
- f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £295,225.**
- g. No amount was deposited by the reinsurer with the Company at the valuation date.**
- h. The treaty is closed to new business**
- i. The Company has no undischarged obligation.**
- j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £0.85 million.**
- k. The treaty is closed to new business.**
- l. The reinsurer is not authorised to carry on insurance business in the United Kingdom.**

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- m. The Company and the reinsurer are not connected.**
 - n. Not applicable**
 - o. Not applicable.**
 - p. The Company has no undischarged obligation under any financing arrangement.**
- (2)(vi) d. The Company has a treaty with RGA Reinsurance Company (Barbados) Limited.**
- e. The treaty covers fixed term assurance and decreasing term assurance (only mortgage protection) policies issued after 1 October 1999. 60% of the benefit is reassured subject to a maximum retention (after taking account of the reinsurance in (iii) and (v) above) of £200,000. Higher risk policies will be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a guaranteed level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy.**
 - f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £1,771,348.**
 - g. No amount was deposited by the reinsurer with the Company at the valuation date.**
 - h. The treaty is closed to new business**
 - i. The Company has no undischarged obligation.**
 - j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £5.09 million.**
 - 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.**
 - n. Not applicable**
 - o. Not applicable.**
 - p. The Company has no undischarged obligation under any financing arrangement.**
- (2)(vii) d. The Company has a treaty with Swiss Re Europe S.A.**
- e. The treaty covers fixed term assurance and decreasing term assurance (only mortgage protection) policies issued after 1 November 2001 and before 31 March 2003. 90% of the benefit is reassured subject to a maximum retention of £200,000. Higher risk policies will**

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be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a guaranteed level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy.

- f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £2,803,477**
 - g. No amount was deposited by the reinsurer with the Company at the valuation date.**
 - h. The treaty is closed to new business**
 - i. The Company has no undischarged obligation.**
 - j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £15.00 million.**
 - 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.**
 - n. Not applicable**
 - o. Not applicable.**
 - p. The Company has no undischarged obligation under any financing arrangement.**
- (2)(viii) d. The Company has a second treaty with Swiss Re Europe S.A.**
- e. The treaty covers accelerated critical illness policies issued after 13 May 2002. 90% of the benefit is reassured subject to a maximum retention of £200,000. Higher risk policies will be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a guaranteed level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy.**
 - f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £284,497.**
 - g. No amount was deposited by the reinsurer with the Company at the valuation date.**
 - h. The treaty is closed to new business**
 - i. The Company has no undischarged obligation.**

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- j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £3.01 million.**
 - 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.**
 - n. Not applicable**
 - o. Not applicable.**
 - p. The Company has no undischarged obligation under any financing arrangement.**
- (2)(ix)**
- d. The Company has a third treaty with Swiss Re Europe S.A.**
 - e. The treaty covers stand-alone critical illness policies issued after 29 October 2002. 90% of the benefit is reassured subject to a maximum retention of £50,000. Higher risk policies will be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy. Premiums are reviewable after five years.**
 - f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £36,049.**
 - g. No amount was deposited by the reinsurer with the Company at the valuation date.**
 - h. The treaty is closed to new business**
 - i. The Company has no undischarged obligation.**
 - j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £0.30 million.**
 - 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.**
 - n. Not applicable**
 - o. Not applicable.**
 - p. The Company has no undischarged obligation under any financing arrangement.**

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

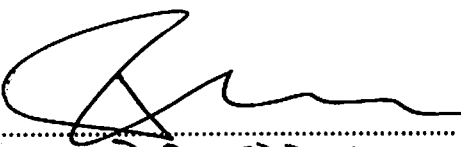
Financial year ended **31 December 2011**

- (2)(x) d. The Company has a fourth treaty with Swiss Re Europe S.A.
- e. The treaty covers accelerated critical illness (with reviewable premiums) issued on or after 1 January 2003. 90% of the benefit is reassured subject to a maximum retention of £50,000. Higher risk policies will be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a level reinsurance, premium rate basis, subject to a nil payment period, which depends on the term of the policy. Premiums are reviewable.
- f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £4,672,503.
- g. No amount was deposited by the reinsurer with the Company at the valuation date.
- h. The treaty is closed to new business..
- i. The Company has no undischarged obligation.
- j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £14.50 million.
- 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.
- n. Not applicable
- o. Not applicable.
- p. The Company has no undischarged obligation under any financing arrangement.
- (2)(xi) d. The Company has a fifth treaty with Swiss Re Europe S.A.
- e. The treaty covers fixed term assurance and decreasing term assurance (mortgage protection only) policies issued after 1 April 2003. 90% of the benefit is reassured subject to a maximum retention of £200,000. Higher risk policies will be 100% reinsured in line with the terms of the treaty. The business ceded is reinsured on a level reinsurance premium rate basis, subject to a nil payment period, which depends on the term of the policy. Premiums are guaranteed.
- f. The total premiums payable by the Company under the treaty between 1 January 2011 and 31 December 2011 were £11,727,206.
- g. No amount was deposited by the reinsurer with the Company at the valuation date.

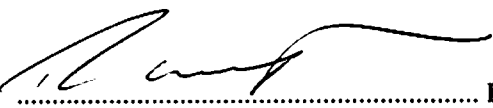
Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended **31 December 2011**

- h. The treaty is closed to new business.
 - i. The Company has no undischarged obligation.
 - j. The amount of mathematical reserves ceded under the treaty, for policies in force at the valuation date, is £29.37 million.
 - 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.
 - n. Not applicable
 - o. Not applicable.
 - p. The Company has no undischarged obligation under any financing arrangement.
9. (3) Not applicable.
10. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.


..... Director
P R GEDDES


..... Director
A J REIZENSTEIN


..... Director
T WOOLGROVE

26 March 2012

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

NOTES TO THE RETURN

0201 Modification to the return

This return has been prepared in accordance with the Accounts and Statements Rules as modified by the following written concession:

Rule INSPRU 2.1.22R is amended by the addition of the following new subparagraph (7): “(7) For the purpose of this rule, a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury.”

This direction is given by the FSA under section 148 of the Financial Services and Markets Act 2000 (“the Act”). The direction takes effect from 16 June 2009 and ends on 31 March 2012.

0301 Reconciliation of net admissible assets

| | |
|--|----------------------|
| Net admissible assets | 53,450 |
| Perpetual subordinated debt | <u>3,500</u> |
| Total capital resources after deductions | <u><u>56,950</u></u> |

0310 Negative valuation differences

| | |
|-------------------------------------|------------------|
| Deferred tax on capital allowances | 25 |
| Total negative valuation difference | <u><u>25</u></u> |

0313 Reconciliation of profit and loss and other reserves

| | |
|---|---------------------|
| Profit and loss account and other reserves at the end of the previous financial year | 52,477 |
| Profit retained for the financial year | 8,212 |
| Dividend | (50,000) |
| Loss arising in the long-term insurance funds that has not been transferred to the shareholder fund | (1,214) |
| Profit and loss account and other reserves at the end of the current financial year | <u><u>9,475</u></u> |

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

NOTES TO THE RETURN (continued)

1305 Counterparty Limit - other than long term business

The Royal Bank of Scotland Group Treasury sets counterparty limits. These limits were not breached during the financial year.

The permitted asset exposure limits excluding accrued interest are set out next to the name of the approved credit institution below:

| <u>2011 Cash Exposure Limits</u> | <u>Exposure Limit</u> |
|---|------------------------------|
| Abbey National | £12,500,000 |
| Barclays | £12,500,000 |
| Commerzbank | £12,500,000 |
| Credit Agricole | £12,500,000 |
| HBOS/Lloyds | £12,500,000 |
| ING | £12,500,000 |
| Nationwide | £12,500,000 |
| Norddeutsche Landesbank | £12,500,000 |
| Santander | £12,500,000 |
| Societe Generale | £12,500,000 |
| UBS AG | £12,500,000 |

1306 & 1312 Exposures to large counterparties

At 31 December 2011 exposure to the following counterparties (including accrued interest) was greater than 5% of the sum of the insurer's base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded:

| <u>Approved Credit Institution</u> | <u>Total</u> | <u>LTB</u> | <u>OLTB</u> |
|---|---------------------|-------------------|--------------------|
| Nationwide Building Society | £5,010,082 | £3,152,487 | £1,857,595 |
| Barclays Bank | £8,048,171 | £5,076,019 | £2,972,152 |
| Santander UK plc | £5,010,130 | £3,152,535 | £1,857,595 |
| Royal Bank of Scotland | £30,496,515 | £19,175,822 | £11,320,693 |

1310 Offsetting - long term business

Debtors and creditors have only been offset to the extent that they are due from/to the same counterparty and in accordance with generally accepted accounting principles.

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

NOTES TO THE RETURN (Continued)

1319 Counterparty limit - long term business

The Royal Bank of Scotland Group Treasury sets counterparty limits. These limits were not breached during the financial year.

The permitted asset exposure limits excluding accrued interest are set out next to the name of the approved credit institution below:

| <u>2011 Cash Exposure Limits</u> | <u>Exposure Limit</u> |
|---|------------------------------|
| Abbey National | £12,500,000 |
| Barclays | £12,500,000 |
| Commerzbank | £12,500,000 |
| Credit Agricole | £12,500,000 |
| HBOS/Lloyds | £12,500,000 |
| ING | £12,500,000 |
| Nationwide | £12,500,000 |
| Norddeutsche Landesbank | £12,500,000 |
| Santander | £12,500,000 |
| Societe Generale | £12,500,000 |
| UBS AG | £12,500,000 |

1401 Provision for reasonably foreseeable variations

The Company has not entered into any contracts or agreements which would require a provision for reasonably foreseeable variations.

1402 Other

- a) There were no charges on any of the assets of the company to secure the liabilities of any other person.
- b) There were no capital gains tax liabilities.
- c) There were no contingent liabilities.
- d) There were no guarantees, indemnities and other contractual commitments with related parties at 31 December 2011.
- e) There were no fundamental uncertainties at 31 December 2011.

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

NOTES TO THE RETURN (Continued)

1405 Other adjustments to liabilities

At 31 December 2011 the Company has no other adjustments.

1501 Provision for reasonably foreseeable variations

The Company has not entered into any contracts or agreements which would require a provision for reasonably foreseeable variations.

1502 Other

- a) There were no charges on any of the assets of the company to secure the liabilities of any other person.
- b) There were no capital gains tax liabilities.
- c) There were no contingent liabilities.
- d) There were no guarantees, indemnities and other contractual commitments with related parties at 31 December 2011.
- e) There were no fundamental uncertainties at 31 December 2011.

1700 Analysis of derivative contracts

As the Company's investment guidelines do not permit the use of derivative contracts Form 17 has been omitted.

4008 Provision of management services

An agreement is in force under which RBS Insurance Services Ltd provides management services to Direct Line Life Insurance Company Limited.

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

NOTES TO THE RETURN (Continued)

4009 Material Connected Party transactions

During the year there was income of £150,000 from The Royal Bank of Scotland Group plc in the form of bank interest. The Royal Bank of Scotland Group plc is the ultimate parent company of Direct Line Life Insurance Company Limited.

There was also a statutory recharge of £1,250,000 payable to RBS Insurance Services Ltd for management services during the year. RBS Insurance Services Ltd is a fellow subsidiary of The Royal Bank of Scotland Group plc.

As at 31 December 2011 there were material balances owed from connected parties. The Royal Bank of Scotland Group plc owed £30,485,000 in the form of bank deposits.

There was also £25,000,000 payable to Royal Bank of Scotland Insurance Group Limited in respect of an outstanding dividend payment.

The net balance owed by UK Insurance Limited in relation to creditor business was £3,170,000, comprising £2,218,000 profit share receivable and £953,000 net premiums receivable. During the year total profit share payable in relation to creditor business was £5,395,000, and total net premium income was £4,840,000 (comprising £6,976,000 gross written premiums and £2,136,000 commission). UK Insurance Limited is a fellow subsidiary of The Royal Bank of Scotland Group plc.

There was also a balance owed to RBS Insurance Services Ltd of £7,336,000 as at 31 December 2011.

4900 Fixed and variable interest assets

The Company's non-linked fixed interest securities for the long-term insurance fund does not exceed £100m

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended **31 December 2011**

Statement of Derivatives required by Rule 9.29 of the Interim Prudential Sourcebook for Insurers

It is not company policy to invest in financial derivatives or quasi-derivatives and no such investments have been made during the year ended 31 December 2011. There are no other matters to disclose in relation to Rule 9.29 (Chapter 9 'Financial Reporting – Accounts and Statements') of the Interim Prudential Sourcebook for Insurers.

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**

Financial year ended 31 December 2011

Statement of Controllers required by Rule 9.30 of the Interim Prudential Sourcebook for Insurers

The following persons have been shareholder controllers of the Company during the year ended 31 December 2011:

- | | | |
|----|---|------|
| 1) | Direct Line Group Limited (DLG) | |
| | Percentage of shares in the Company held: | 100% |
| | Percentage of votes in the Company held: | 100% |
| 2) | RBS Insurance Group Limited (RBSIG) | |
| | Percentage of shares in DLG held: | 100% |
| | Percentage of votes in DLG held: | 100% |
| 3) | The Royal Bank of Scotland Group plc | |
| | Percentage of shares in RBSIG held: | 100% |
| | Percentage of votes in RBSIG held: | 100% |
| 4) | The Solicitor for the Affairs of Her Majesty's Treasury as Nominees for Her Majesty's Treasury (UK Financial Investments Limited manages the shareholding) | |
| | Percentage of shares in The Royal Bank of Scotland Group plc held: | 70% |
| | Percentage of votes in The Royal Bank of Scotland Group plc held: | 70% |

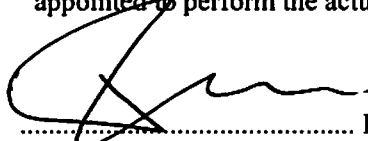
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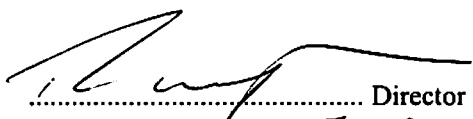
Financial year ended 31 December 2011


Certificate required by rule 9.34 of the Interim Prudential Sourcebook of Insurers

We certify that:

1. the return comprising Forms 2, 3, 11 to 16, 40 to 43, 46 to 48, 50, 51, 57, 58 and 60 (including the supplementary notes) and the statements required by rules 9.29 and 9.30, and the statements, analyses and reports required by rule 9.31 have been properly prepared in accordance with the Accounts and Statements Rules set out in part I and part IV of chapter 9 of IPRU(INS), the Interim Prudential Sourcebook for Insurers, GENPRU, the General Prudential Sourcebook and INSPRU, the Prudential Sourcebook for Insurers;
2. the directors are satisfied that:
 - (i) throughout the financial year, the company has complied in all material respects with the requirements in SYSC, Senior Management Arrangements, Systems and Controls, and PRIN, Principles for Business, sections of the FSA Handbook as well as the provisions of IPRU(INS), GENPRU and INSPRU as applicable; and
 - (ii) it is reasonable to believe that the company has continued so to comply subsequently, and will continue so to comply in future;
3. 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 company that are available for the purpose, to enable the company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
4. the sum of the mathematical reserves and the deposits received from reinsurers as shown on Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all other 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 the actuarial investigation as at the date into the financial condition of the long-term insurance business; and
5. in preparation of the return we have taken and paid due regard to actuarial advice from the actuary appointed to perform the actuarial function in accordance with SUP 4.3.13R.

 P R GEDDES
..... Director

 Director
T WOOLGROVE

 Director
A J REIZENSTEIN

26 March 2012

Name of company **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**
Financial year ended **31 December 2011**

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

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

- Forms 2, 3, 11 to 16, 40 to 43, 48, 58 and 60 (including the supplementary notes) on pages 1 to 29 and pages 45 to 49 ("the Forms");
- the statement required by IPRU(INS) rule 9.29 on page 50 ("the Statement"); and
- the valuation report required by IPRU(INS) rule 9.31 (a) on pages 30 to 44 ("the valuation report").

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

- Forms 46, 47, 50, 51 and 57 on pages 21 to 22 and pages 24 to 27;
- the statement required by IPRU(INS) rule 9.30 on page 51; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 52.

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

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement and the valuation report) under the provision of the Rules. The requirements of the Rules have been modified by a direction issued under section 148 of the Financial Services and Markets Act 2000 on 16 June 2009 as set out in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the Statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

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

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

Name of Company: **DIRECT LINE LIFE INSURANCE COMPANY LIMITED**
Financial year ended 31 December 2011

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

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 Statements and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

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



Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom
29 March 2012