

Abridged Society Profit & Loss Account A

Society Profit and Loss Account: 1960 to 1969¹

[Table A.1]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income										
Premiums	4	5	5	7	7	8	9	10	10	10
Investment income	2	2	2	3	4	4	5	5	6	7
Total Income	6	7	7	9	11	12	13	15	15	17
Expenditure										
Claims	3	3	3	3	3	3	4	5	5	6
Commissions	-	-	-	-	-	-	-	-	-	-
Expenses of management	0	0	0	0	0	0	1	1	1	1
Taxation	0	0	0	0	1	1	1	1	2	1
Total Expenditure	3	3	4	3	5	5	6	7	7	8
Surplus of income over expenditure	3	3	3	6	6	7	8	8	8	9
Appreciation in value of investments treated as surplus	-	1	-	-	1	-	-	1	-	-
Net addition to the fund	3	5	3	6	7	7	8	9	8	9
Fund at the beginning of the year	36	39	44	47	52	59	66	74	83	91
FUND AT THE END OF THE YEAR	39	44	47	52	59	66	74	83	91	99

¹ The Equitable Life Assurance Society: Report and Accounts 1960 to 1969

Abridged Society Profit & Loss Account

A

Society Profit and Loss Account: 1970 to 1981²

[Table A.2]

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income												
Premiums	12	15	18	20	23	25	37	39	60	73	93	121
Investment income	7	8	9	11	13	16	19	24	29	39	50	62
Total Income	19	24	27	31	36	41	56	63	89	112	143	183
Expenditure												
Claims	6	7	9	10	12	13	20	21	23	23	26	34
Commissions	-	-	-	-	-	-	-	-	-	-	-	-
Expenses of management	1	1	1	2	2	3	4	5	6	8	10	12
Taxation	2	2	2	2	2	3	3	2	2	2	2	3
Total Expenditure	9	10	12	14	16	19	27	28	31	32	38	49
Surplus of income over expenditure	11	14	16	17	19	21	29	35	58	80	104	134
Appreciation in value of investments treated as surplus	3	-	-	12	-	-	0	-	-	15	-	-
Net addition to the fund	14	14	16	29	19	21	29	35	58	95	104	134
Provision for unrealised diminution in value of investment	-	-	-	-	37	(37)	-	-	-	-	-	-
Fund at the beginning of the year	99	113	127	143	172	154	213	242	277	335	430	534
FUND AT THE END OF THE YEAR	113	127	143	172	154	213	242	277	335	430	534	668

² The Equitable Life Assurance Society: Report and Accounts 1970 to 1981

Abridged Society Profit & Loss Account

A

Society Profit and Loss Account: 1982 to 1993³

[Table A.3]

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income												
Premiums	157	219	263	304	398	500	622	1,040	1,345	1,715	1,877	2,101
Investment income	79	95	117	150	169	201	237	298	376	459	572	668
Total Income	235	314	380	453	568	701	859	1,339	1,722	2,174	2,448	2,769
Expenditure												
Claims	53	77	91	112	161	225	293	472	659	839	946	1,122
Commissions	-	-	-	-	-	-	-	-	-	-	-	-
Expenses of management	15	20	25	29	34	42	62	88	102	124	124	121
Other	0	0	0	0	0	1	0	0	0	3	1	1
Taxation	(2)	3	3	4	11	8	5	(2)	6	1	7	20
Total Expenditure	66	100	119	145	205	276	360	558	768	967	1,079	1,263
Surplus of income over expenditure	169	214	261	308	363	425	499	781	954	1,208	1,370	1,506
Change in value of linked assets	0	4	6	11	17	7	17	62	(82)	24	56	203
Appreciation in value of investments treated as surplus	45	-	-	125	115	125	167	317	0	185	144	1,179
Net addition to the fund	214	218	267	444	495	557	682	1,159	872	1,417	1,569	2,889
Fund at the beginning of the year	668	882	1,099	1,367	1,811	2,305	2,862	3,545	4,704	5,576	6,993	8,562
FUND AT THE END OF THE YEAR	882	1,099	1,367	1,811	2,305	2,862	3,545	4,704	5,576	6,993	8,562	11,451

³ The Equitable Life Assurance Society: Report and Accounts 1982 to 1993

Abridged Society Profit & Loss Account

A

Society Profit and Loss Account: 1993 (restated) to 2000⁴

[Table A.4]

Technical Account: Long-term Business

	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m
Premiums	2,101	2,052	2,362	2,830	3,452	3,730	3,484	2,941
Investment income	975	853	1,132	1,395	1,325	1,787	1,957	2,653
Unrealised gains on investment	1,883	0	1,132	374	2,046	1,670	2,314	0
Other technical income	0	0	6	7	7	9	15	16
Total Income	4,958	2,905	4,632	4,606	6,831	7,195	7,770	5,610
Claims	1,128	1,114	1,433	1,741	2,228	2,547	2,692	3,063
Value of benefits excluding new declared bonus	2,280	477	1,852	1,874	2,929	2,486	1,564	2,692
New declared bonus	318	350	417	504	508	363	423	0
Long-term business provision: net amount	2,597	826	2,269	2,378	3,437	2,849	1,987	2,692
Technical provision for linked liabilities	292	102	264	294	513	686	1,069	317
Changes in other technical provisions: net of reinsurance	2,889	928	2,533	2,672	3,950	3,535	3,056	3,009
Net operating expenses	98	98	98	104	118	133	143	273
Commissions	-	-	-	-	-	-	-	-
Investment expenses and charges	6	6	10	11	23	39	37	43
Unrealised losses on investment	0	1,537	0	0	0	0	0	1,710
Taxation	20	12	28	46	66	93	20	43
Transfer to (from) the fund for future appropriations	817	(790)	530	32	447	849	1,823	(2,530)
	941	863	666	193	653	1,114	2,022	(462)
Total	4,958	2,905	4,632	4,606	6,831	7,195	7,770	5,610
Balance on Technical Account	0	0	0	0	0	0	0	0

⁴ The Equitable Life Assurance Society: Report and Accounts 1993 (restated) to 2000

⁵ The restated 1993 figures contained in the 1994 Report and Accounts have been disclosed for comparative purposes.

Abridged Society Balance Sheet

B

Society Balance Sheet: 1960 to 1969⁶

[Table B.1]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investments ⁷	39	43	46	52	59	67	74	82	90	99
Current assets	1	1	1	1	1	1	1	2	2	2
Total assets	39	44	47	53	60	68	75	84	92	101
Current liabilities	0	1	1	1	1	2	1	1	1	1
Net assets	39	44	47	52	59	66	74	83	91	99
Long-term business fund	39	44	47	52	59	66	74	83	91	99

⁶ The Equitable Life Assurance Society: Report and Accounts 1960 to 1969

⁷ Investments were valued at the lower of cost, written up for capital appreciation treated as surplus, or net realisable value.

Abridged Society Balance Sheet

B

Society Balance Sheet: 1970 to 1981⁸

[Table B.2]

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investments (refer to note below)	114	127	142	171	153	210	239	270	329	421	523	654
Current assets	2	3	4	4	3	4	5	10	12	15	18	22
Total assets	116	130	145	175	156	215	244	280	341	435	541	676
Current liabilities	2	3	3	3	2	2	2	4	6	6	7	8
Net assets	113	127	143	172	154	213	242	277	335	430	534	668
Long-term business fund	113	127	143	172	154	213	242	277	335	430	534	668
Note:												
Disclosed investment market value ⁹	-	164	194	190	154	213	241	333	389	454	608	741
Off balance sheet reserves ¹⁰	-	37	52	19	1	3	2	63	60	33	85	87
Off balance sheet reserve:												
Opening position ¹¹	-	-	36.6	52.1	18.6	0.9	2.6	2.1	62.6	60.1	33.3	84.9
Movement	-	-	15.5	(21.5)	(17.7)	1.7	(0.5)	60.5	(2.5)	(11.8)	51.6	1.9
Capital appreciation treated as surplus	-	-	-	(12.0)	-	-	0.0	-	-	(15.0)	-	-
Closing position	-	36.6	52.1	18.6	0.9	2.6	2.1	62.6	60.1	33.3	84.9	86.8

⁸ The Equitable Life Assurance Society: Report and Accounts 1970 to 1981

⁹ The Society first disclosed the market values of its investments (including the 1971 comparative figure) in 1972 Report and Accounts.

¹⁰ The off balance sheet reserve is calculated by deducting the book value of investments from their disclosed market values.

¹¹ Analysis for the years prior to 1971 was not possible due to the information not being available from the published information.

Abridged Society Balance Sheet

B

Society Balance Sheet: 1982 to 1993¹²

[Table B.3]

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investments at market value ¹³	1,085	1,426	1,806	2,213	2,840	3,356	4,109	5,661	5,759	7,263	9,334	13,131
Current assets	39	46	77	77	81	92	123	143	185	216	283	233
Total assets	1,124	1,472	1,883	2,290	2,921	3,448	4,232	5,804	5,944	7,480	9,617	13,364
Current liabilities	39	35	49	43	36	62	69	99	158	112	120	172
Net assets	1,086	1,437	1,833	2,246	2,885	3,386	4,163	5,705	5,786	7,368	9,497	13,192
Long-term business fund	882	1,099	1,367	1,811	2,305	2,862	3,545	4,704	5,576	6,993	8,562	11,451
Investment reserve ¹⁴	204	337	467	436	580	524	618	1,001	210	375	935	1,741
Total fund value	1,086	1,437	1,833	2,246	2,885	3,386	4,163	5,705	5,786	7,368	9,497	13,192

¹² The Equitable Life Assurance Society: Report and Accounts 1982 to 1993

¹³ In 1982 the Society changed its investment accounting policy to carry investments at their market values.

¹⁴ The effect of the Society's investment accounting policy change resulted in the previous 'off balance sheet reserve' coming on balance sheet from 1982 and being reflected within the Investment Reserve.

Abridged Society Balance Sheet

B

Society Balance Sheet: 1993 (restated) to 2000¹⁵

[Table B.4]

	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m
	<i>Restated¹⁶</i>							
Investments at market value	12,113	12,112	14,889	17,028	21,199	24,902	28,671	29,263
Assets held to cover linked liabilities ¹⁷	1,000	1,084	1,351	1,903	2,422	3,113	4,185	4,516
Total investments	13,113	13,196	16,240	18,931	23,621	28,016	32,856	33,779
Current assets	465	566	527	515	582	630	639	696
Total assets	13,578	13,763	16,767	19,446	24,203	28,646	33,494	34,475
Subordinated liabilities ¹⁸	0	0	0	0	346	346	346	346
Current liabilities	171	218	155	138	176	226	240	576
Net assets	13,407	13,545	16,612	19,309	23,681	28,073	32,908	33,553
Long-term business provision	10,462	11,289	13,561	15,680	19,096	21,954	23,905	26,611
Claims outstanding	0	0	0	0	0	0	0	150
Technical provision for linked liabilities	981	1,083	1,346	1,896	2,408	3,094	4,162	4,481
Technical provisions	11,443	12,371	14,907	17,576	21,504	25,048	28,067	31,242
Fund for future appropriations ¹⁹	1,964	1,174	1,705	1,733	2,176	3,025	4,841	2,311
Total fund value	13,407	13,545	16,612	19,309	23,681	28,073	32,908	33,553

¹⁵ The Equitable Life Assurance Society: Report and Accounts 1993 (restated) to 2000

¹⁶ The restated 1993 figures contained in the 1994 Report and Accounts have been disclosed for comparative purposes.

¹⁷ The Society's Report and Accounts first disclosed its unit-linked business separately from 1994.

¹⁸ Refer to the Notes to the Financial Tables: Table I - 1.1

¹⁹ The Society's Investment Reserve was in effect superseded from 1994 by the Fund for Future Appropriations.

Financial and Ratio Analysis

C

Financial and Ratio Analysis: 1960 to 1969

[Table C.1]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
	£.m	£.m	£.m	£.m	£.m	£.m	£.m	£.m	£.m	£.m
Financial Analysis:										
Premium growth: annual	-	0.8	-0.2	2.1	0.7	0.3	1	0.9	0.1	0.8
Premium growth: triennium	-	-	-	-	2.6	-	-	2.2	-	-
Gross Premiums [Mix]	3.9	4.7	4.5	6.6	7.3	7.6	8.6	9.5	9.6	10.4
Existing business	3.0	3.6	3.4	4.6	4.9	5.5	6.4	7.3	7.5	8.0
New business	0.9	1.1	1.1	2.0	2.4	2.1	2.2	2.2	2.1	2.4

Net asset growth: annual

Net asset growth: triennium

	-	5	3	6	7	7	8	9	8	9
	-	-	-	-	16	-	-	24	-	-

Ratio Analysis:

Premium growth²⁰

Gross Premiums [% Mix]

Existing business

New business

Investment income growth²¹

Claims/ fund value²²

Management expense ratio²³

Investment yield²⁴ (estimated)

	-	21%	-4%	47%	11%	4%	13%	10%	1%	8%
	77%	77%	76%	70%	67%	72%	74%	77%	78%	77%
	23%	23%	24%	30%	33%	28%	26%	23%	22%	23%
	-	11%	10%	14%	44%	14%	15%	13%	9%	12%
	6%	7%	7%	6%	6%	5%	6%	7%	6%	6%
	5%	6%	7%	5%	5%	5%	6%	5%	6%	7%
	4.9%	4.9%	4.9%	5.1%	6.5%	6.5%	6.7%	6.8%	6.7%	6.9%

Net assets growth - annual²⁵

Net assets growth - triennial

	-	12%	7%	12%	13%	12%	11%	12%	10%	10%
	-	-	-	-	36%	-	-	40%	-	-

²⁰ Premium growth: the percentage year-on-year movement in premium income (Ref. Table A) divided by the base year's premium income.

²¹ Investment income growth: the percentage year-on-year movement in investment income (Ref. Table A) divided by the base year's investment income.

²² The years claims value (Ref. Table A) is divided by the Long-term business fund or Total fund value (Ref. Table B) and the result expressed as a percentage.

²³ The management expense ratio represents the expenses of management or net operating expenses (Ref. Table A) expressed as a percentage of premium income.

²⁴ The investment yield represents either the years reported yield, as disclosed in the Society's Report and Accounts, or the yield is calculated by dividing the current years investment income (Ref. Table A) by the average investment value for the year (Ref. Table B).

²⁵ Net asset growth: the percentage year-on-year/ triennium movement in net assets (Ref. Table B) divided by the base year's net assets.

Financial and Ratio Analysis

C

Financial and Ratio Analysis: 1970 to 1981

[Table C.2]

Financial Analysis:

Premium growth: annual
Premium growth: triennium

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	1.7	3.3	2.6	2.2	2.5	2.1	11.8	2.1	20.9	13.7	19.3	28.1
	2.6	-	-	8.1	-	-	16.4	-	-	36.7	-	-

Gross Premiums [Mix]

Existing business
New business

	12.0	15.4	18.0	20.2	22.7	24.8	36.6	38.8	59.6	73.3	92.6	120.7
	9.0	11.6	12.7	14.9	15.7	18.2	28.4	28.8	41.4	52.7	65.5	85.4
	3.0	3.8	5.3	5.3	7.0	6.6	8.2	10.0	18.2	20.6	27.1	35.3

Net asset growth: annual

Net asset growth: triennium

	14	14	16	29	-18	58	29	35	58	95	104	134
	31	-	-	59	-	-	70	-	-	188	-	-

Ratio Analysis:

Premium growth

Gross Premiums [% Mix]

Existing business
New business

Investment income growth

Claims/ fund value

Management expense ratio

Investment yield

	75%	75%	71%	74%	69%	73%	78%	74%	69%	72%	71%	71%
	25%	25%	29%	26%	31%	27%	22%	26%	31%	28%	29%	29%
	-	28%	10%	17%	5%	16%	56%	1%	44%	27%	24%	30%
	5%	6%	6%	6%	8%	6%	8%	8%	7%	5%	5%	5%
	7%	6%	6%	7%	10%	12%	11%	13%	10%	11%	11%	10%
	7.0%	7.2%	7.2%	6.3%	7.3%	8.0%	8.8%	9.8%	10.0%	10.7%	10.9%	10.9%

Net assets growth - annual

Net assets growth - triennial

Solvency ratio²⁶

Total Liabilities / Total Assets & Reserves²⁷

	14%	12%	12%	21%	-10%	38%	14%	14%	21%	28%	24%	25%
	37%	-	-	52%	-	40%	40%	-	-	78%	-	-
	-	28%	36%	11%	1%	1%	1%	22%	18%	8%	16%	13%
	-	78%	74%	90%	99%	99%	99%	82%	85%	93%	86%	89%

²⁶ Solvency is calculated by dividing the off balance sheet reserves by the long-term business fund (Ref. Table B.2). Implicit inner reserves held in liabilities are ignored for the purposes of this ratio.

²⁷ Total liabilities are divided by total assets and off balance sheet reserves (Refer. Table B.2).

Financial and Ratio Analysis

C

Financial and Ratio Analysis: 1982 to 1993

[Table C.3]

Financial Analysis:

Premium growth: annual

Premium growth: triennium

Gross Premiums [Mix]

Regular

Single

New Business [Mix]

Regular

Single

Net asset growth: annual

Net asset growth: triennium

Ratio Analysis:

Premium growth

Gross Premiums [% Mix]

Regular

Single

New Business [% Mix]

Regular

Single

Investment income growth

Claims/ fund value

Management expense ratio

Investment yield

Net assets growth - annual

Net assets growth - triennial

Solvency ratio²⁸

Total Liabilities / Total Assets²⁹

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Premium growth: annual	35.8	62.9	43.7	40.6	94.5	101.6	121.8	418.6	305.2	370	161.2	224.2
Premium growth: triennium	83.2	-	-	147.2	-	-	-	-	-	-	-	-
Gross Premiums [Mix]	157	219	263	304	402	502	680	1,042	1,345	1,715	1,877	2,101
Regular	132	172	218	252	298	370	549	634	767	880	945	1,013
Single	24	48	45	52	104	132	131	408	578	835	932	1,088
New Business [Mix]	69	114	124	137	205	265	321	642	836	1,117	1,226	1,411
Regular	45	66	79	85	101	133	190	234	258	282	294	323
Single	24	48	45	52	104	132	131	408	578	835	932	1,088
Net asset growth: annual	418	351	397	413	639	501	777	1,542	81	1,581	2,129	3,695
Net asset growth: triennium	656	-	-	1,161	-	-	-	-	-	-	-	-

30% 40% 20% 15% 31% 26% 24% 67% 29% 28% 9% 12%

84%	79%	83%	83%	74%	74%	74%	81%	61%	57%	51%	50%	48%
15%	22%	17%	17%	26%	26%	26%	19%	39%	43%	49%	50%	52%

65%	58%	64%	62%	49%	50%	59%	59%	36%	31%	25%	24%	23%
35%	42%	36%	38%	51%	50%	41%	41%	64%	69%	75%	76%	77%

26% 21% 23% 28% 13% 19% 18% 26% 26% 26% 22% 25% 17%

4.9% 5% 5% 5% 6% 7% 7% 7% 8% 11% 11% 10% 9%

9.4% 9.2% 9.4% 9.6% 8.4% 8.5% 9.9% 9.9% 8.5% 7.6% 7.2% 6.6% 5.8%

11.0% 10.0% 9.9% 7.4% 6.7% 6.5% 6.4% 6.1% 6.6% 6.6% 7.1% 6.9% 6.0%

63% 32% 28% 23% 28% 17% 23% 37% 37% 1% 27% 29% 39%

153% - - 107% - - - - - - - - - -

22% 30% 33% 24% 25% 18% 17% 21% 4% 5% 11% 15%

82% 77% 75% 81% 80% 85% 85% 83% 96% 96% 95% 90% 87%

²⁸ Solvency is calculated by dividing the Investment Reserve by the Total Fund (Ref. Table B.3). Implicit inner reserves held in liabilities are ignored for the purposes of this ratio.

²⁹ Total liabilities are divided by total assets (Ref. Table B.3).

Financial and Ratio Analysis

C

Financial and Ratio Analysis: 1993 (restated) to 2000

[Table C.4]

	1993	1994	1995	1996	1997	1998	1999	2000
	£.m	£.m	£.m	£.m	£.m	£.m	£.m	£.m
Financial Analysis:								
Premium growth: annual		-49	310	469	622	277	-246	-543
<i>Restated</i>								
	224							
Gross Premiums [Mix]	2,102	2,053	2,364	2,832	3,455	3,733	3,488	2,946
Regular	1,015	1,018	1,074	1,242	1,505	1,556	1,510	1,431
Single	1,087	1,035	1,290	1,590	1,950	2,177	1,978	1,515
New Business [Mix]	1,410	1,344	1,616	2,005	2,444	2,596	2,320	1,795
Regular	323	309	326	415	494	419	342	280
Single	1,087	1,035	1,290	1,590	1,950	2,177	1,978	1,515
Net asset growth: annual	3,910	138	3,067	2,697	4,372	4,393	4,835	645
Ratio Analysis:								
Premium growth	12%	-2%	15%	20%	22%	8%	-7%	-16%
Gross Premiums [% Mix]								
Regular	48%	50%	45%	44%	44%	42%	43%	49%
Single	52%	50%	55%	56%	56%	58%	57%	51%
New Business [% Mix]								
Regular	23%	23%	20%	21%	20%	16%	15%	16%
Single	77%	77%	80%	79%	80%	84%	85%	84%
Investment income growth	13%	-2%	17%	19%	22%	12%	-5%	-15%
Claims/ fund value	8%	8%	9%	9%	9%	9%	8%	9%
Management expense ratio	4.7%	4.8%	4.2%	3.7%	3.4%	3.6%	4.1%	9.3%
Investment yield (estimated)	5.6%	5.6%	5.0%	5.6%	5.0%	4.5%	3.9%	3.7%
Net assets growth - annual	2%	3%	23%	16%	23%	19%	17%	2%
Solvency ratio ³⁰	17%	9%	11%	10%	10%	12%	17%	7%
Total Liabilities / Total Assets	86%	91%	90%	91%	91%	89%	86%	93%

³⁰ Solvency is calculated by dividing the Fund for Future Appropriations by the Total Fund (Ref. Table B.4). With effect from 1994, all reserves are explicitly held in the Society's Funds for Future Appropriations.

Bonus Distribution**D****Bonus Distribution**

[Table D.1]

Allocations	1973	1976	1979	1982	1985	1986	1987	1988
	Triennium £m	Triennium £m	Triennium £m	Triennium £m	Triennium £m	Annual £m	Annual £m	Annual £m
Actual investment return	40.3%	17.1%	50.2%	66.1%	53.9%	20.6%	8.9%	15.1%
<i>Allocated as follows:</i>								
Roll-up rate	9.0%	9.5%	10.5%	10.5%	10.5%	3.5%	3.5%	3.5%
Declared bonus	19.5%	19.5%	21.0%	21.0%	27.8%	8.5%	7.5%	7.5%
Guaranteed allocation	28.5%	29.0%	31.5%	31.5%	38.3%	12.0%	11.0%	11.0%
Investment yield	20.7%	24.1%	30.5%	32.8%	27.3%	6.7%	6.5%	6.4%
Income (shortfall) surplus ³²	-7.8%	-4.9%	-1.0%	1.3%	-11.0%	-5.3%	-4.5%	-4.6%

Profit & Loss Account treatment:

Capital appreciation recognised and treated as surplus

Smoothing analysis:

3 year smoothed return

Less: Guaranteed allocation

Less: Management expense %³³Available excess (shortfall)³⁴

£12m	£0m	£15m	£45m	£125m	£115m	£125m	£167m
40%	17%	50%	66%	54%	17%	14%	15%
29.5%	29.0%	31.5%	31.5%	38.3%	12.0%	11.0%	11.0%
2.0%	4.7%	5.3%	5.3%	4.6%	1.3%	1.4%	1.7%
10%	-17%	13%	29%	11%	4%	2%	2%

³¹ Figures between 1973 and 1985 represent aggregated triennial values, 1986 to 1988 are annual values.³² The computed % income (shortfall) surplus is before management expenses.³³ Management expenses expressed as a % of the average investment market value for the year.³⁴ Residual unallocated investment returns available for current year and future terminal bonus payments.

Bonus Distribution**D****Bonus Distribution**

[Table D.2]

	1971	1972	1973	1974	1975	1976	1977	1978	1979
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Roll-up rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%	3.5%
Declared bonus	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%
Guaranteed allocation	9.5%	9.5%	9.5%	9.5%	9.5%	10.0%	10.5%	10.5%	10.5%
Terminal bonus ³⁵	-	-	1.0%	1.3%	1.3%	1.3%	1.0%	1.0%	1.0%
Total growth rate allocated ³⁶	9.5%	9.5%	10.5%	10.8%	10.8%	11.3%	11.5%	11.5%	11.5%
Actual investment return	29.9%	16.9%	-6.5%	-27.8%	36.7%	8.2%	38.0%	7.3%	4.9%
Under (Over) allocation	20.4%	7.4%	-17.0%	-38.6%	25.9%	-3.1%	26.5%	-4.2%	-6.6%
Smoothing analysis:									
3 year smoothed return	29.9%	23%	13%	-6%	1%	6%	28%	18%	17%
Less: Total growth rate allocated	9.5%	9.5%	10.5%	10.8%	10.8%	11.3%	11.5%	11.5%	11.5%
Less: Management expense %	0.6%	0.6%	0.8%	1.3%	1.6%	1.8%	1.8%	1.6%	1.9%
Under (Over) allocation	19.8%	13.3%	2.2%	-17.9%	-11.6%	-7.4%	14.4%	4.7%	3.4%

³⁵ Management's internal allocation of smoothed investment returns towards terminal bonus, which was introduced in 1973.

³⁶ Management's internal assessment of a required rate of return needed to support their allocations.

Bonus Distribution**D****Bonus Distribution**

[Table D.3]

	1980	1981	1982	1983	1984	1985	1986	1987	1988
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Roll-up rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Declared bonus	7.0%	7.0%	7.0%	9.3%	9.3%	9.3%	8.5%	7.5%	7.5%
Guaranteed allocation	10.5%	10.5%	10.5%	12.8%	12.8%	12.8%	12.0%	11.0%	11.0%
Terminal bonus	2.8%	2.8%	2.8%	0.5%	0.5%	0.5%	0.0%	0.5%	4.0%
Total growth rate allocated	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	12.0%	11.5%	15.0%
Actual investment return	22.6%	10.8%	32.7%	22.1%	17.9%	13.9%	20.6%	8.9%	15.1%
Under (Over) allocation	9.3%	-2.5%	19.4%	8.9%	4.7%	0.7%	8.6%	-2.6%	0.1%
Smoothing analysis:									
3 year smoothed return	11.6%	12.8%	22.0%	21.9%	24.2%	18.0%	17.5%	14.5%	14.9%
Less: Total growth rate allocated	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	12.0%	11.5%	15.0%
Less: Management expense %	1.9%	1.8%	1.6%	1.6%	1.5%	1.5%	1.3%	1.4%	1.7%
Under (Over) allocation	-1.7%	-0.5%	8.7%	8.6%	11.0%	4.7%	5.5%	3.0%	-0.1%

Bonus Distribution**D****Bonus Distribution**

[Table D.4]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Allocations:												
Roll-up rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Declared bonus	7.5%	7.5%	6.5%	5.0%	4.0%	4.0%	4.0%	4.0%	3.0%	1.5%	1.5%	0.0%
Guaranteed allocation	11.0%	11.0%	10.0%	8.5%	7.5%	7.5%	7.5%	7.5%	6.5%	5.0%	5.0%	3.5%
Terminal bonus	9.0%	1.0%	2.0%	1.5%	5.5%	2.5%	2.5%	2.5%	6.5%	5.0%	7.0%	3.3%
Total growth rate allocated	20.0%	12.0%	12.0%	10.0%	13.0%	10.0%	10.0%	10.0%	13.0%	10.0%	12.0%	6.8%
Actual Investment Return	26.0%	-10.4%	14.4%	18.4%	28.8%	-4.2%	16.6%	10.7%	17.2%	13.3%	16.0%	2.7%
Management expense %	-1.8%	-1.8%	-1.9%	-1.5%	-1.1%	-0.7%	-0.7%	-0.6%	-0.6%	-0.5%	-0.5%	-0.8%
Under (Over) allocation	4.2%	-24.2%	0.5%	6.9%	14.7%	-14.9%	5.9%	0.1%	3.6%	2.8%	3.5%	-4.9%

Smoothing Position:

Opening position ³⁷	-9.2%	-5.0%	-29.2%	-28.7%	-21.8%	-7.1%	-22.0%	-16.1%	-16.0%	-12.3%	-9.6%	-6.0%
Under (Over) allocation	4.2%	-24.2%	0.5%	6.9%	14.7%	-14.9%	5.9%	0.1%	3.6%	2.8%	3.5%	-4.9%
Closing position	-5.0%	-29.2%	-28.7%	-21.8%	-7.1%	-22.0%	-16.1%	-16.0%	-12.3%	-9.6%	-6.0%	-10.9%

% Excess aggregate policy values to available assets

Aggregate policy values in excess of available assets

245 1,375 1,539 1,299 185 2,139 1,596 1,725 1,358 2,200 734 3,057

³⁷ The opening smoothing position has been calculated by deducting the current year under allocation from the closing position taken from the % excess aggregate policy values to underlying assets.

Analysis of Surplus**E****Analysis of Surplus**

[Table E.1]

	1973	1976	1979	1982	1985	1986	1987	1988
	£m	£m	£m	£m	£m	£m	£m	£m
Actuarial Valuation: Form 58³⁸								
Valuation Result								
Assets	171	242	430	882	1,811	2,305	2,862	3,545
Terminal/final & interim bonuses paid	1	3	0	13	45	39	53	76
Liabilities	(150)	(213)	(373)	(754)	(1,569)	(2,186)	(2,658)	(3,361)
Gross Surplus³⁹	21	31	57	142	287	158	257	260
Analysis of Surplus								
<i>Balance brought forward</i>	0	1	1	1	11	4	2	0
Total current surplus	21	30	56	141	277	154	255	259
Terminal/final & interim bonuses paid	(1)	(3)	(4)	(13)	(45)	(39)	(53)	(76)
Surplus available for distribution	20	28	53	128	242	120	204	184
Reversionary bonus value	(20)	(28)	(52)	(118)	(238)	(117)	(204)	(184)
<i>Balance carried forward</i>	1	1	1	11	4	2	0	0
% Distribution of aviable surplus	96%	98%	98%	92%	98%	98%	100%	100%

³⁸ These summarised valuation results are extracted from the Society's regulatory returns.

³⁹ Actuarially determined gross surplus is derived after taking guaranteed benefits (i.e. GIR) into account and current year terminal and interim bonus payments. From this value, reversionary bonus will be allotted and thereafter added to liabilities.

Analysis of Surplus

E

Analysis of Surplus

[Table E.2]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Actuarial Valuation: Form 58												
Valuation Result												
Assets	4,704	5,362	6,993	8,562	11,451	12,378	14,915	17,572	21,500	25,638	28,434	31,394
Terminal/final & interim bonuses paid	101	155	152	168	165	174	246	299	388	475	509	544
Liabilities	(4,467)	(5,093)	(6,548)	(8,259)	(11,130)	(12,028)	(14,498)	(17,069)	(20,992)	(25,275)	(28,011)	(31,394)
Gross Surplus	338	424	597	471	486	523	663	803	896	838	931	544

Analysis of Surplus

Balance brought forward

Total current surplus

Terminal/final & interim bonuses paid

Surplus available for distribution

Reversionary bonus value

Balance carried forward

	0	1	0	141	5	3	0	0	0	(0)	(0)	(0)
Total current surplus	338	423	596	331	481	520	663	802	896	838	931	544
Terminal/final & interim bonuses paid	(101)	(155)	(152)	(168)	(165)	(174)	(246)	(299)	(388)	(475)	(509)	(544)
Surplus available for distribution	237	269	445	304	321	350	417	504	508	363	423	0
Reversionary bonus value	(236)	(269)	(305)	(299)	(318)	(350)	(417)	(504)	(508)	(363)	(423)	(0)
<i>Balance carried forward</i>	1	0	141 ⁴⁰	5	3	0	0	0	(0)	(0)	(0)	0
% Distribution of aviable surplus	100%	100%	68%	98%	99%	100%	100%	100%	100%	100%	100%	100%

⁴⁰ The inquiry has been unable to obtain an explanation regarding the magnitude of this balance carried forward.

Analysis of Surplus

E

Analysis of Surplus

[Table E.3]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
S 68 Order: Annexure⁴¹												
Ordinary surplus as disclosed to the Regulator	248	(161)	550	330	1,318	(745)	1,006	803	896	838	931	544
Surpluses arising from solvency margin	90	27	60	46	179	19	120	-	-	-	-	-
Exceptional items ⁴²	0	557	(13)	(46)	(1,015)	1,246	(462)	-	-	-	-	-
Total current surplus	337	423	597	331	481	520	663	803	896	838	931	544
Less: Cost of final & interim bonus payments	(101)	(155)	(151)	(168)	(165)	(174)	(246)	(299)	(388)	(475)	(509)	(544)
Total actuarially determined surplus	237	268	446	163	316	347	417	504	508	363	422	1
Balance brought forward	0	1	0	141	5	3	0	0	0	0	0	0
Less: Cost of new declared bonus	(236)	(269)	(305)	(299)	(318)	(350)	(417)	(504)	(508)	(363)	(423)	0
Balance carried forward	1	0	141	5	3	(0)	(0)	0	0	0	(0)	1

Gross Premium Basis - with-profits pensions:

Roll-up rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Accumulation rate	5.25%	5.25%	5.25%	5.25%	3.50%	0.50%	0.50%	0.50%	0.50%	0.25%	0.25%	0.25%
Valuation interest rate	8.75%	8.75%	8.75%	7.00%	7.00%	4.00%	4.00%	4.00%	4.00%	3.75%	3.75%	3.75%
Interest margin	8.75%	10.00%	10.00%	10.00%	7.25%	5.50%	5.00%	4.75%	4.00%	3.75%	3.75%	3.75%
	0.00%	1.25%	1.25%	1.25%	0.25%	1.50%	1.00%	0.75%	0.00%	0.00%	0.00%	0.00%

Discount factor⁴³

	100.0%	85.0%	85.0%	85.2%	96.5%	87.8%	91.4%	94.2%	100.0%	100.0%	100.0%	100.0%
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⁴¹ This analysis of surplus has been derived from both the Society's published regulatory return figures and internal correspondence representing the Society's S68 order applications the allowance of future profit implicit items.

⁴² These exceptional items, which provide significant releases/absorption of surplus, are attributable to the interest rate differentials created by the Society over this period.

⁴³ The effect of the applied discount factor resulted in the Society's reported liability valuation for its with-profits business to be significantly less than that reflected in its internal office valuation which supported values contained in annual policyholder notices/statements.

Analysis of Surplus E

Analysis of Surplus

[Table E.4]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Terminal/final & interim bonuses paid	101	155	152	168	165	174	246	299	388	475	509	544
Terminal bonus cover ratios:												
<i>Office Valuation basis:</i>												
Accrued terminal bonus	1,402	1,422	1,542	1,604	2,057	2,343	2,599	2,897	3,845	4,620	6,008	5,933
Years cover⁴⁴	14	9	10	10	12	14	11	10	10	10	12	11
<i>Companies Act Accounts basis:</i>												
Reserves ⁴⁵	1,001	210	375	935	1,741	1,174	1,705	1,733	2,176	3,025	4,841	2,311
Years cover	10	1	2	6	11	7	7	6	6	6	10	4
<i>Regulatory Return basis:</i>												
Actual margin of solvency	974	413	488	843	1,717	1,168	1,697	1,733	2,123	2,524	3,861	1,632
Years cover⁴⁶	10	3	3	5	10	7	7	6	5	5	8	3

⁴⁴ This ratio reflects the number of times (years) annual terminal and interim bonus payments are covered by accrued terminal bonus as disclosed in the Society's office valuation (Ref. Table G.5).

⁴⁵ This ratio reflects the number of times (years) annual terminal and interim bonus payments are covered by the investment reserve and later the fund for future appropriations as disclosed in the Society's statutory accounts (Ref. Table B.3 & B.4).

⁴⁶ This ratio reflects the number of times (years) annual terminal and interim bonus payments are covered by the Society's actual margin of solvency as reported in its regulatory return (Ref. Table F.1).

Regulatory Solvency

F

Regulatory Solvency: Form 9 position⁴⁷

[Table F.1]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Analysis of Solvency/Margin Requirements													
Long-term business admissible assets	58	5,805	5,933	7,452	9,565	13,382	13,551	16,503	19,131	23,828	28,238	33,111	34,257
Total mathematical reserve	9	(4,703)	(5,362)	(6,852)	(8,557)	(11,448)	(12,378)	(14,915)	(17,572)	(21,900)	(26,338)	(29,934)	(32,894)
Other liabilities	15	(128)	(158)	(112)	(164)	(218)	(256)	(154)	(139)	(176)	(226)	(241)	(731)
Available assets for required minimum margin		974	413	488	843	1,717	918	1,433	1,420	1,752	1,674	2,936	632
Plus - implicit future profits per S23 (5)		-	-	-	-	-	250	264	313	371	850	925	1,000
Actual margin of solvency	{A}	974	413	488	843	1,717	1,168	1,697	1,733	2,123	2,524	3,861	1,632
Required Minimum Margin (RMM)	{B}	204	233	293	357	458	495	586	685	846	1,008	1,114	1,221
Excess available assets: {A - B}		770	180	195	487	1,259	674	1,111	1,048	1,277	1,516	2,747	411
Regulatory cover factor: {A/B} ⁴⁸		4.77x	1.77x	1.67x	2.37x	3.75x	2.36x	2.90x	2.53x	2.51x	2.50x	3.47x	1.34x

⁴⁷ Figures are taken from the Society's published regulatory returns.

⁴⁸ The regulatory cover ratio represents the number of times the Society's actual margin of solvency covers its required minimum margin.

Regulatory Solvency

F

Analysis of Regulatory Solvency

[Table F.2]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Actual margin of solvency	974	413	488	843	1,717	1,168	1,697	1,733	2,123	2,524	3,861	1,632
Less: Subordinated liabilities	-	-	-	-	-	-	-	-	(346)	(346)	(346)	(346)
Restated: for subordinated liabilities	974	413	488	843	1,717	1,168	1,697	1,733	1,777	2,178	3,515	1,286
Less: Future profit implicit items	0	0	0	0	0	(250)	(264)	(313)	(371)	(850)	(925)	(1,000)
Restated: for future profit implicit items	974	413	488	843	1,717	918	1,433	1,420	1,406	1,328	2,590	286
Less: GAR reinsurance	-	-	-	-	-	-	-	-	-	(809)	(1,098)	(808)
Restated: for GAR reinsurance	974	413	488	843	1,717	918	1,433	1,420	1,406	519	1,492	(522)
Required min margin (RMM)	204	233	293	357	458	495	586	685	846	1,008	1,114	1,221
<u>Restated cover factors:</u>												
Revised for subordinated liabilities	4.77	1.77	1.67	2.36	3.75	2.36	2.90	2.53	2.10	2.16	3.16	1.05
Revised for implicit items	4.77	1.77	1.67	2.36	3.75	1.85	2.45	2.07	1.66	1.32	2.32	0.23
Revised for GAR reinsurance	4.77	1.77	1.67	2.36	3.75	1.85	2.45	2.07	1.66	0.51	1.34	-0.43
Regulatory cover factor	4.77	1.77	1.67	2.36	3.75	2.36	2.90	2.53	2.51	2.50	3.47	1.34

Note

Ref.

Analysis of Solvency/Margin Requirements

Actual margin of solvency

Less: Subordinated liabilities

Restated: for subordinated liabilities

Less: Future profit implicit items

Restated: for future profit implicit items

Less: GAR reinsurance

Restated: for GAR reinsurance

Required min margin (RMM)

Restated cover factors:

Revised for subordinated liabilities

Revised for implicit items

Revised for GAR reinsurance

Regulatory cover factor

Analysis of Valuation Bases

G

Regulatory Return Basis 1989 to 2000

[Table G.1]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investments	13	5,638	5,698	7,207	9,267	13,142	13,221	16,230	18,876	27,874	32,725	33,768
Debtors & other assets	13	167	235	245	298	241	331	272	255	364	386	489
Long-term business admissible assets	13	5,805	5,933	7,452	9,565	13,382	13,551	16,503	19,131	23,828	28,238	33,111
Other liabilities	14	(128)	(158)	(112)	(164)	(218)	(256)	(154)	(176)	(226)	(241)	(731)
Net assets	9	5,677	5,775	7,340	9,401	13,164	13,296	16,349	18,992	23,652	28,012	32,870
Total mathematical reserve	9	(4,7030)	(5,362)	(6,852)	(8,557)	(11,448)	(12,378)	(14,915)	(17,572)	(21,900)	(26,338)	(32,894)
Available assets for RMM	9	974	413	488	844	1,716	918	1,434	1,420	1,752	1,674	2,936
												632

Analysis of Valuation Bases

G

Reconciliation: Return to Accounts Basis 1989 to 2000

[Table G.2]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net assets as per Regulatory Return	5,677	5,775	7,340	9,401	13,164	13,296	16,349	18,992	23,652	28,012	32,870	33,526
Add: Deferred Acquisition Costs	-	-	-	-	-	219	225	231	242	246	235	188
Add: Unreconciled differences	28	11	28	96	28	30	38	86	(213)	(185)	(197)	(161)
Net assets as per Statutory Accounts	5,705	5,786	7,368	9,497	13,192	13,545	16,612	19,309	23,681	28,073	32,908	33,553
Total Mathematical Reserve as per Regulatory Return	4,703	5,362	6,852	8,557	11,448	12,378	14,915	17,572	21,900	26,338	29,934	32,894
Less: Resilience reserve addition	0	0	0	0	0	0	0	0	(4000)	(700)	(1,500)	(1,500)
Less: Returns: Guaranteed annuity provision ⁴⁹	-	-	-	-	-	-	-	-	-	(784)	(565)	(1,823)
Add: Accounts: Guaranteed annuity provision ⁵⁰	-	-	-	-	-	-	-	-	-	200	200	1,668
Add: Balances carried forward in the Return ⁵¹	1	0	141	5	3	1	0	0	0	0	0	0
Add: Reconciled differences	-	5214	-	-	-	-	-	-	-	-	-	-
Add: Unreconciled differences	0	0	0	0	0	(8)	(8)	4	4	(6)	(8)	(154)
Technical Provisions as per Statutory Accounts	4,704	5,576	6,993	8,562	11,451	12,371	14,907	17,576	21,504	25,048	28,061	31,085

⁴⁹ The Society arranged a reinsurance policy with Irish European under which, if the take-up rate exceeded, pre HoL 25% and post HoL 60%, then the excess cost to the Society was recoverable from the reinsurer. The reinsurer could recover from the Society any such costs from future profits as they emerged.

⁵⁰ As the provision in the Accounts was based on an assumed take-up rate below the reinsurance threshold rate of 25%/60%, no account was made of the reinsurance contract in the Accounts. These provisions were based on the Society's 'best estimated' cost.

⁵¹ The Regulatory Return carried forward balances, which are excluded from its mathematical reserves while the Statutory Accounts include these balances in its long-term business fund/provision.

⁵² In 1990, the Society introduced a new valuation method applied in its Companies Act accounts that resulted in no transfer between the Investment Reserve (balance sheet) and the Long-Term Revenue Account (profit & loss account) as performed in prior years. The regulator return did however reflect a transfer of £214m in excess surplus, which resulted in the difference between both liability values as shown above.

Analysis of Valuation Bases

G

Statutory Accounts Basis 1989 to 2000

[Table G.3]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total investments	5,661	5,759	7,263	9,334	13,131	13,196	16,240	18,931	23,621	28,016	32,856	33,779
Net current assets	44	28	104	163	61	349	372	378	406	404	398	120
Subordinated liabilities	-	-	-	-	-	-	-	-	(346)	(346)	(346)	(346)
Net assets	5,705	5,786	7,368	9,497	13,192	13,545	16,612	19,309	23,681	28,073	32,908	33,553
Technical Provisions	4,704	5,576	6,993	8,562	11,451	12,371	14,907	17,576	21,504	25,048	28,061	31,085
Reserves ⁵³	1,001	210	375	935	1,741	1,174	1,705	1,733	2,176	3,025	4,841	2,311
Liabilities and Reserves	5,705	5,786	7,368	9,497	13,192	13,545	16,612	19,309	23,681	28,073	32,902	33,396

⁵³ These figures represent the Society's investment reserve to 1993 and thereafter its fund for future appropriations

Analysis of Valuation Bases

G

Reconciliation: Accounts to Office Basis 1989 to 2000

[Table G.4]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net assets as per Statutory Accounts	5,705	5,786	7,368	9,497	13,192	13,545	16,612	19,309	23,681	28,073	32,908	33,553
Less: Deferred Acquisition Costs	-	-	-	-	-	(219)	(225)	(231)	(242)	(246)	(235)	(188)
<i>Sub-total</i>	5,705	5,786	7,368	9,497	13,192	13,326	16,388	19,077	23,439	27,828	32,673	33,365
Add: new business loan	150	150	179	203	302	329	370	413	456	498	505	494
Add: deferred development expenditure	0	0	0	0	54	53	47	33	27	23	16	16
Less: reconciled allocation differences	-	-	-	-	-	-	-	(4)	(4)	(5)	(6)	(6)
Less: Unreconciled differences ⁵⁴	-	-	-	-	-	-	-	-	-	-	-	(300)
Net assets as per Office Valuation	5,855	5,936	7,547	9,699	13,548	13,708	16,804	19,520	23,918	28,343	33,188	33,569
Technical Provisions as per Statutory Accounts	4,704	5,576	6,993	8,562	11,451	12,371	14,907	17,576	21,504	25,048	28,061	31,085
Less: Accounts: Guaranteed annuity provision	-	-	-	-	-	-	-	-	-	(200)	(200)	(1,668)
Add: Office: Guaranteed annuity provision	-	-	-	-	-	-	-	-	-	50	50	1,500
<i>Sub-total</i>	4,704	5,576	6,993	8,562	11,451	12,371	14,907	17,576	21,504	24,898	27,911	30,917
Add: Unreconciled differences ⁵⁵	(6)	312	551	833	225	1,133	895	773	(73)	1,026	3	(224)
Technical provisions as per Office Valuation	4,698	5,888	7,544	9,395	11,676	13,505	15,802	18,349	21,431	25,924	27,914	30,693
Non-Profit and Unit Linked liabilities	934	1,033	1,281	1,784	2,668	2,891	3,438	3,822	4,678	6,976	7,049	7,725
With-profits liabilities at full value ⁵⁶	3,764	4,855	6,263	7,611	9,008	10,613	12,363	14,527	16,753	18,897	20,815	21,468
Guaranteed annuity provision	-	-	-	-	-	-	-	-	-	50	50	1,500
Accrued terminal bonus	1,402	1,422	1,542	1,604	2,057	2,343	2,599	2,897	3,845	4,620	6,008	5,933
Aggregate Policy Values as per Office Valuation	6,100	7,310	9,086	10,998	13,733	15,847	18,400	21,245	25,276	30,543	33,922	36,625

⁵⁴ The Society was unable to explain the 2000 difference of £300m.

⁵⁵ These differences are primarily considered to be attributable to discounted versus full value treatment between liability valuation basis.

⁵⁶ This represents the full value of guaranteed policy benefits and shows the aggregate value of these liabilities as communicated to policyholders by way of their individual bonus notices.

Analysis of Valuation Bases

G

Office Valuation Basis 1989 to 2000

[Table G.5]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total investments (after net current assets)	5,705	5,785	7,368	9,497	13,192	13,326	16,388	19,074	23,434	27,823	32,667	33,058
New business loan	150	150	179	203	302	329	370	413	456	498	505	494
Deferred development expenditure	0	0	0	0	54	53	47	33	27	23	16	16
Net assets	5,855	5,935	7,547	9,699	13,548	13,708	16,804	19,520	23,918	28,343	33,188	33,569
Non-Profit and Unit Linked liabilities	934	1,033	1,281	1,784	2,668	2,891	3,438	3,822	4,678	6,976	7,049	7,725
With-profits liabilities at full value	3,764	4,855	6,263	7,611	9,008	10,613	12,363	14,527	16,753	18,897	20,815	21,468
Guaranteed annuity provision	-	-	-	-	-	-	-	-	-	50	50	1,500
Technical provisions	4,698	5,888	7,544	9,395	11,676	13,505	15,802	18,349	21,431	25,924	27,914	30,693
Accrued terminal bonus	1,402	1,422	1,542	1,604	2,057	2,343	2,599	2,897	3,845	4,620	6,008	5,933
Aggregate Policy Values	6,100	7,310	9,086	10,998	13,733	15,847	18,400	21,245	25,276	30,543	33,922	36,625
Unfunded Policy Value Position	(245)	(1,375)	(1,539)	(1,299)	(185)	(2,139)	(1,596)	(1,725)	(1,358)	(2,200)	(734)	(3,057)
Aggregate with-profit policy values as a % of net assets	105%	128%	125%	116%	102%	120%	112%	111%	107%	110%	103%	112%

Analysis of Valuation Bases

G

Aggregate Policy Values: Valuation Basis Comparison 1989 to 2000

[Table G.6]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m

Regulatory Return Valuation Basis:

Total mathematical reserve	(4,703)	(5,362)	(6,852)	(8,557)	(11,448)	(12,378)	(14,915)	(17,572)	(21,900)	(26,338)	(29,934)	(32,894)
Net assets	5,677	5,775	7,340	9,401	13,164	13,296	16,349	18,992	23,652	28,012	32,870	33,526
Funded Regulatory Position	974	413	488	844	1,716	918	1,434	1,420	1,752	1,674	2,936	632

Total mathematic reserves as a % of net assets

	83%	93%	93%	91%	87%	93%	91%	93%	93%	94%	91%	98%
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Statutory Accounts Valuation Basis:

Technical Provisions	(4,704)	(5,576)	(6,993)	(8,562)	(11,451)	(12,371)	(14,907)	(17,576)	(21,504)	(25,048)	(28,061)	(31,085)
Net assets	5,705	5,786	7,368	9,497	13,192	13,545	16,612	19,309	23,681	28,073	32,908	33,553
Funded Statutory Accounts Position	1,001	210	375	935	1,741	1,174	1,705	1,733	2,176	3,025	4,847	2,468

Technical provisions as a % of net assets

	82%	96%	95%	90%	87%	91%	90%	91%	91%	89%	85%	93%
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Office Valuation Basis:

Aggregate policy values	(6,100)	(7,310)	(9,086)	(10,998)	(13,733)	(15,847)	(18,400)	(21,245)	(25,276)	(30,543)	(33,922)	(36,625)
Net assets	5,855	5,936	7,547	9,699	13,548	13,708	16,804	19,520	23,918	28,343	33,188	33,569
Unfunded Policy Value Position	(245)	(1,374)	(1,539)	(1,299)	(185)	(2,139)	(1,596)	(1,725)	(1,358)	(2,200)	(734)	(3,057)

Aggregate policy values as a % of net assets

	104%	123%	120%	113%	101%	116%	109%	109%	106%	108%	102%	109%
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Analysis of Policy Values

H

Headon: with-profit policy values versus assets⁵⁷

[Table H.1]

	APV / Assets %	APV / Assets for ave claims	With- profits APV	Claims values	Actual return	Excess claims above assets	Acc. Excess	Amount of excess APV	In force: Excess over asset shares	APV / Assets %
	%	%	£m	£m	%	[a] £m	[b] £m	[c] £m	[d] £m	[e] %
1989	103.4%	-	5,166	-	-	-	-	-	-	-
1990	125.8%	114.6%	6,277	572	-10.4%	73	69	1,288	1,218	124.1%
1991	122.3%	122.4%	7,805	687	14.4%	126	213	1,423	1,210	118.3%
1992	114.4%	114.5%	9,214	784	18.4%	99	361	1,160	799	109.5%
1993	101.7%	103.4%	11,065	887	28.8%	29	498	185	(313)	97.3%
1994	119.8%	105.9%	12,956	917	-4.2%	51	527	2,141	1,614	114.2%
1995	111.9%	110.5%	14,962	1,215	16.6%	115	739	1,591	853	106.0%
1996	111.0%	105.6%	17,424	1,465	10.7%	78	900	1,727	827	105.0%

[a] the amount of claim payments each year in excess of asset share, assuming that claims have the same age distribution as the in-force.

[b] accumulation of excess claim amounts i.e. the amount by which EOY (end of year) assets would have been higher if only asset shares had been paid on claims.

[c] the amount of the excess of total policy values over assets at the end of each year.

[d] = (c) - (b), i.e. the difference between total policy values and asset shares on the in-force business viewed in isolation - that is, ignoring what has happened on claims.

[e] (d) expressed as a % of asset shares on the in-force business.

⁵⁷ Chris Headon, the Society's appointed actuary at the time, prepared this analysis on 29 August 1997.

Analysis of Policy Values

H

With-Profit Policy Values versus Assets⁵⁸

[Table H.2]

Year	APV / Assets		With-profits APV		Claims values		Actual return		Excess claims above assets		Acc. excess APV ⁶⁰		In force: excess over asset shares		Acc. excess / Assets %	
	Year-end % ⁵⁹	[3.1]	Year-end %	[3.2]	Year-end £m	[3.3]	£m	[3.4]	[3.5]	[3.6]	Year-end	[3.7]	Year-end	[3.8]	[3.9]	[3.11]
Refer to Table I																
1989	105.0%	-	5,166	-	-	-	-	-	-	-	245	-	-	-	-	-
1990	128.0%	114.6%	6,277	6,277	572 (10.4%)	69	73	69	73	1,375	1,306	1,306	1,306	126.3%	101.1%	
1991	124.6%	122.4%	7,805	7,805	687 14.4%	214	126	214	126	1,539	1,325	1,325	1,325	120.5%	102.8%	
1992	116.4%	114.5%	9,214	9,214	784 18.4%	362	99	362	99	1,299	937	937	937	111.3%	104.1%	
1993	101.7%	103.4%	11,065	11,065	887 28.8%	499	29	499	29	185	(314)	(314)	(314)	97.2%	104.7%	
1994	119.8%	105.9%	12,956	12,956	917 (4.2%)	528	51	528	51	2,139	1,611	1,611	1,611	114.2%	104.2%	
1995	111.9%	110.5%	14,962	14,962	1,215 16.6%	741	115	741	115	1,596	855	855	855	106.1%	105.2%	
1996	111.0%	105.6%	17,424	17,424	1,465 10.7%	902	78	902	78	1,725	823	823	823	105.0%	105.5%	
1997	107.1%	107.4%	20,598	20,598	1,849 17.2%	1,196	128	1,196	128	1,358	162	162	162	100.8%	106.2%	
1998	105.4%	104.4%	23,567	23,567	2,113 13.3%	1,451	90	1,451	90	2,200	749	749	749	103.3%	106.6%	
1999	102.8%	101.9%	26,873	26,873	2,234 16.0%	1,728	42	1,728	42	734	(994)	(994)	(994)	96.4%	106.9%	
2000	111.8%	102.4%	28,900	28,900	2,542 2.7%	1,834	59	1,834	59	3,057	1,223	1,223	1,223	104.4%	106.8%	
30 June 01 (year-to-date)	119.2%	115.5%	27,225	27,225	2,883 (4.7%)	2,126	387	2,126	387	4,377	2,251	2,251	2,251	109.0%	108.5%	
Policy value reduction					(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(4,895)	(3,895)	(3,895)	(3,895)			
16% policy reduction					-	-	-	-	-	(4,265)	-	-	-			
W-P's annuities adjustment					-	-	-	-	-	(630)	-	-	-			
Restated balance					1,126	1,126	1,126	1,126	1,126	(518)	(1,644)	(1,644)	(1,644)			
Movements:																
30 June to 31 July 01	97.3%	99.0%	21,900	21,900	480 0.0%	1,121	(5)	1,121	(5)	(600)	(1,721)	(1,721)	(1,721)	92.7%	105.4%	
31 July to 31 August 01	97.8%	97.8%	22,002	22,002	510 -0.7%	1,102	(11)	1,102	(11)	(485)	(1,587)	(1,587)	(1,587)	93.3%	105.3%	

⁵⁸ The schedule has been prepared by the inquiry using the Society's base information and applied methodology as set out in Table H.1.

⁵⁹ Refer to Table G.5 for aggregate with-profits policy values as a % of net assets.

⁶⁰ Refer to Table G.5 for unfunded policy value position.

Analysis of Policy Values

H

Retrospective Analysis of Aggregate Policy Values⁶¹

[Table H.3]

In-force business @ 31 December 00

Present value of in-force policies as at 31 Dec 00: Pre HoL

Net transfer value adjustment: HoL

Less: Withheld bonus [7 months @ 9% interim rate)

Add: GAR Provision

Present value of in-force policies as at 31 Dec 00: Post HoL

Terminations: 1 Jan 01 to 31 Jul 01

In-force business @ 31 July 01

Growth for 5 months @ interim bonus rate of 8% pa = 3.3% on £25,804m

Sub-total

16% policy reduction on 31 Dec 00 values: 16 July 01

Sub-total

WP annuities adjustment: 16 July 01

Sub-total

Add: Revised bonus rate reduction

Bonus rate reduction to fund cost of GAR: pre 16% reduction

Bonus rate reduction to fund cost of GAR: post 16% reduction

Sub-total

Less: Revised cost of GAR

Guaranteed annuity provision: pre 16% reduction

Less: Guaranteed annuity provision: post 16% reduction

Sub-total

Non-GAR miss-selling

Aggregate Policy Values @ 31 July 2001

Comprising:

Aggregate policy values

GAR provision: revised

Aggregate Policy Values @ 31 July 2001

Non-GAR £m	GAR £m	Rectification £m	Total £m
22,387	6,780	-	29,167
(1,117)	962	200	45
(1,117)	(338)	-	(1,455)
-	1,300	200	1,500
21,270	7,742	200	29,212
(2,839)	(524)	-	(3,363)
18,431	7,218	200	25,849
645	206	-	851
19,076	7,424	200	26,700
(3,231)	(1,034)	-	(4,265)
15,845	6,390	200	22,435
(630)	-	-	(630)
15,215	6,390	200	21,805
271	67	-	338
1,117	338	-	1,455
(846)	(271)	-	(1,117)
15,486	6,457	200	22,143
-	(243)	-	(243)
-	(1,300)	(200)	(1,500)
-	1,057	200	1,257
15,486	6,214	200	21,900
220	(220)	-	-
15,706	5,994	200	21,900

20,643
1,257
21,900

⁶¹ Summary of work performed by Peter Nowell (appointed actuary) on the Society's "realistic" balance sheet, dated 21 September 2001.

Analysis of Policy Values

H

Aggregate Policy Values: Office Valuation Basis: With-Profits Fund

[Table H.4]

	1999 £m	2000 £m	30-Jun-01 £m	31-Jul-01 £m
Net assets	26,139	25,843	22,848	22,500
With-profits liabilities at full value	20,815	21,468	19,670	19,303
Accrued terminal bonus	6,008	5,933	6,055	1,340
Policy Values	26,823	27,400	25,725	20,643
Guaranteed annuity provision	50	1,500	1,500	1,257
Aggregate Policy Values	26,873	28,900	27,225	21,900
(Unfunded) Funded Policy Value Position	<u>(6,315)</u>	<u>(4,668)</u>	<u>(4,377)</u>	<u>600</u>
Aggregate policy values as a % of net assets	103%	112%	119%	97%

Summary of adjustment carried out during the reduction in policy values:⁶²

Assets:	
Net Assets	23,710
Less: new business loan - write off	(400)
Less: estimated previous overpayments	(1,000)
Add: miscellaneous profits	590
Add: improvement in life expectance	(400)
Net Assets	<u>22,500</u>
Liabilities:	
With-profits liabilities	20,643
GAR provision	1,257
	<u>21,900</u>
Surplus	<u>600</u>

⁶² These financial adjustments were quantified and the adjustments made by Peter Nowell.

Analysis of Policy Values

H

Analysis of the 2001 office valuation basis⁶³

[Table H.5]

	Total Fund		With-profits	
	30-Jun-01 £m	31-Aug-01 £m	30-Jun-01 £m	31-Aug-01 £m
Total investments (after net current assets)	30,350	28,611	22,338	21,965
New business loan	494	-	494	-
Deferred development expenditure	16	-	16	-
Net assets	30,860	28,611	22,848	21,965
Non-profit and unit linked liabilities	7,893	7,941	-	-
With-profits liabilities at full value	20,167	19,148	19,670	18,893
Guaranteed annuity provision	1,505	1,518	1,500	1,257
Face value of guaranteees	29,565	28,607	21,170	20,150
Accrued terminal bonus	6,055	1,330	6,055	1,330
Aggregate Policy Values	35,620	29,937	27,225	21,900
(Unfunded) Funded Policy Value Position	(4,760)	(1,326)	(4,377)	485
Aggregate with-profit policy values as a % of net assets	121%	106%	119.2%	97.8%

⁶³ Figures, including policy value estimates, provided by the Society.

Notes to the Financial Tables

I

Note Ref.	Table Ref.	Comments
1.1	B.4	On 6 August 1997 Equitable Life Finance plc, a wholly owned subsidiary of the Society, issued £350m 8.0% Undated Subordinated Guaranteed Bonds which are guaranteed by the Society. The proceeds, after the deduction of costs associated with the issue, were lent to the Society on terms similar to those applicable to the Bonds. The Bonds are repayable by Equitable Life plc on a non-instalment basis on 6 August 2007 and each fifth anniversary thereafter, so long as the Bonds are outstanding.
2.1	E.2	The adjustment for future profit implicit items has been made in order to reflect the Society's reliance on this 'artificial' but allowable method of regulatory solvency support.
2.2	E.2	The adjustment to reflect the disallowance of the GAR reinsurance has been based on the premise that this reinsurance contract was not a typical reinsurance contract that transferred the risks associated with the Society's annuity guarantees sufficient to support setoff.
2.3	E.2	The actual margin of solvency restated: for subordinated liabilities balance is divided by the required minimum margin (RMM).
2.4	E.2	The actual margin of solvency restated: for future profit implicit items accumulated balance is divided by the required minimum margin (RMM).
2.5	E.2	The actual margin of solvency restated: for GAR reinsurance accumulated balance is divided by the required minimum margin (RMM).
3.1	H.2	Aggregate policy values as a % of net assets
3.2	H.2	The average of aggregate policy values as a % of net assets for the years 1990 to 1996 is taken from the Society's own calculations. Thereafter these percentages have been computed using similar methodology.
3.3	H.2	The with-profits aggregate policy value is the total of the with-profits liabilities at full value and accrued terminal bonus as disclosed in Table G.5.
3.4	H.2	The claims value for 1990 to 1996 is derived from the Society's own workings and represents the full aggregate policy value leaving the fund at the claim date. Thereafter these values have been computed using available information and applied methodology.
3.5	H.2	This represents the actual return achieved/suffered by the Society on its with-profit fund.
3.6	H.2	Based on the Society's own methodology the value of excess claims paid out above underlying assets is calculated as follows: Actual claim values are adjusted by the % derived in (note 3.2) thereby deriving the excess value of claims which were paid in excess of underlying assets.
3.7	H.2	Using the Society own methodology, the accumulated excess is derived as follows: The accumulated excess brought forward from the previous year is rolled up at the current year's actual return. Added to this, is the current year claims excess, which is adjusted for an average year return.
3.8	H.2	The unfunded (aggregate policy values in excess of underlying asset values) value is taken from Table G.5
3.9	H.2	This excess value is the difference between the year-end unfunded value and the accumulated claims excess. The figure represents the portion of unfunded value attributable to in-force business.
3.10	H.2	This represents the relationship of aggregate policy values as a % of net assets attributable to in-force business and excludes the build-up of claims excesses which is included in the total excess value.
3.11	H.2	This represents the relationship between accumulated claim excesses and aggregate policy values.