

**Equitable Life**

THE EQUITABLE LIFE ASSURANCE SOCIETY

Annual PRA Insurance Returns  
for the year ended  
31 December 2013

Appendices 9.1, 9.3, 9.4, 9.4A & 9.6 from the Interim Prudential Sourcebook for Insurers

Registered Office 20 - 22 Bedford Row, London, WC1R 4JS

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**Statement of solvency - long-term insurance business**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R2</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	449816	366941
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>		
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	449816	366941

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	70203	78758
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	379613	288183

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	210610	236274
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	2359	2238
Individual minimum capital requirement	<b>34</b>	210610	236274
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	210610	236274
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	344511	248804
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	291858	189736

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	239206	130667
Enhanced capital requirement	<b>40</b>	449816	366941

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	449816	366941
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	0	0

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
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**Components of capital resources**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**

R3	Company registration number	GL/UK/CM	day month year			Units
	37038	GL	31	12	2013	£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				
Profit and loss account and other reserves	12				
Share premium account	13				
Positive valuation differences	14		450105	450105	368093
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		450105	450105	368093

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		450105	450105	368093
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		450105	450105	368093

**Components of capital resources**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
		General insurance business  <b>1</b>	Long-term insurance business  <b>2</b>	Total as at the end of this financial year <b>3</b>		Total as at the end of the previous year <b>4</b>

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
		General insurance business  <b>1</b>	Long-term insurance business  <b>2</b>	Total as at the end of this financial year <b>3</b>		Total as at the end of the previous year <b>4</b>

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		450105	450105	368093
Inadmissible assets other than intangibles and own shares	<b>73</b>		289	289	1152
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		449816	449816	366941

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

Available capital resources for guarantee fund requirement	<b>81</b>		449816	449816	366941
Available capital resources for 50% MCR requirement	<b>82</b>		449816	449816	366941
Available capital resources for 75% MCR requirement	<b>83</b>		449816	449816	366941

**Financial engineering adjustments**

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

**Calculation of general insurance capital requirement - premiums amount and brought forward amount**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	37038	GL	31	12	2013	£000
	This financial year					Previous year	
	1					2	
Gross premiums written			11			835	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			835	
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			804	
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			298	
Gross premiums earned			21			835	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			835	
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			804	
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			298	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			298	
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			54	
	Excess (if any) over 61.3M EURO x 0.02		33				
<b>Sub-total J (32-33)</b>			34			54	
Claims paid in period of 3 financial years			41			1259	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45				
<b>Sub-total C (41+42+43-44-45)</b>			46			1259	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			1259	
<b>Sub-total D (46-47)</b>			48				
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.50	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			27	
Provision for claims outstanding (before discounting and net of reinsurance)			51				0
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				0
<b>Brought forward amount (See instruction 4)</b>			53			27	
Greater of lines 50 and 53			54			27	



**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R			<b>11</b>	36				
Claims paid in reference period			<b>21</b>	1259				
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		<b>22</b>					
	For insurance business accounted for on an accident year basis		<b>23</b>					
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		<b>24</b>					
	For insurance business accounted for on an accident year basis		<b>25</b>					
Claims incurred in reference period (21+22+23-24-25)			<b>26</b>	1259				
Claims incurred for classes 11, 12 or 13 (included in 26)			<b>27</b>					
Claims incurred for "actuarial health insurance" (included in 26)			<b>28</b>	1203				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>			<b>29</b>	456				
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>			<b>31</b>	152				
Division of sub-total F (gross adjusted claims amount)	x 0.26		<b>32</b>	40				
	Excess (if any) over 42.9M EURO x 0.03		<b>33</b>					
<b>Sub-total G (32-33)</b>			<b>39</b>	40				
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>			<b>41</b>	20				
Higher of premiums amount and brought forward amount (11.54)			<b>42</b>	27				
<b>General insurance capital requirement (higher of lines 41 and 42)</b>			<b>43</b>	27			27	

**Analysis of admissible assets**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	37038	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		2832	113587	

**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	21754	21216
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	136	166	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	17696	39569	
Rights under derivative contracts	44	366	540	
Fixed interest securities	Approved	45	2744215	2714761
	Other	46	1730412	1908538
Variable interest securities	Approved	47	459116	760710
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50	473	503	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	198	240	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	305891	310508
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	263504	261636
	Property linked	59		

**Analysis of admissible assets**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	37038	GL	31	12	2013	£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	3543	3597
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	0	4998
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	4002	13739
	due in more than 12 months	79		

**Other assets**

Tangible assets	80	258	866
Deposits not subject to time restriction on withdrawal with approved institutions	81	6929	9408
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	64935	72946
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	4420	2188

Deductions from the aggregate value of assets	87	3590	1239
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5627091	6238477
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**Analysis of admissible assets**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	37038	GL	31	12	2013	£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	5627091	6238477
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	289	1152
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	2353812	2388888
Other asset adjustments (may be negative)	101	27422	64968
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	8008614	8693486
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 **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**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
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Mathematical reserves, after distribution of surplus	<b>11</b>	5109917	5732592	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>			
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	5109917	5732592	
Claims outstanding	Gross	<b>15</b>	13964	14119
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	13964	14119
Provisions	Taxation	<b>21</b>		67
	Other risks and charges	<b>22</b>		52920
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	6384	6919
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	2026	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	4314	5999	
Creditors	Taxation	<b>37</b>	0	359
	Other	<b>38</b>	24905	40508
Accruals and deferred income	<b>39</b>	15764	18053	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	67357	138944	
Excess of the value of net admissible assets	<b>51</b>	449816	366941	
Total liabilities and margins	<b>59</b>	5627091	6238477	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	13587	12330
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	5177275	5871537
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	2353812	2388888
Other adjustments to liabilities (may be negative)	<b>74</b>	477527	433061
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	8008614	8693486

**Analysis of derivative contracts**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R17</b>		<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year				Notional amount as at the end of this financial year		
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>			
Futures and contracts for differences	Fixed-interest securities	<b>11</b>						
	Interest rates	<b>12</b>						
	Inflation	<b>13</b>						
	Credit index / basket	<b>14</b>						
	Credit single name	<b>15</b>						
	Equity index	<b>16</b>						
	Equity stock	<b>17</b>						
	Land	<b>18</b>						
	Currencies	<b>19</b>		366			3081	30931
	Mortality	<b>20</b>						
	Other	<b>21</b>						
In the money options	Swaptions	<b>31</b>	42904			1331800		
	Equity index calls	<b>32</b>						
	Equity stock calls	<b>33</b>						
	Equity index puts	<b>34</b>						
	Equity stock puts	<b>35</b>						
	Other	<b>36</b>						
Out of the money options	Swaptions	<b>41</b>						
	Equity index calls	<b>42</b>						
	Equity stock calls	<b>43</b>						
	Equity index puts	<b>44</b>						
	Equity stock puts	<b>45</b>						
	Other	<b>46</b>						
Total (11 to 46)		<b>51</b>	43271			1334881	30931	
Adjustment for variation margin		<b>52</b>	(46494)					
Total (51 + 52)		<b>53</b>	(3223)					

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

**With-profits insurance capital component for the fund**Name of insurer **Equitable Life Assurance Society**With-profits fund **ORDINARY LONG TERM**Financial year ended **31 December 2013**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	5627091	6238477
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	856995	911365
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	40105	43041
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	4729991	5284072
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	4252922	4821228
	Regulatory current liabilities of the fund	<b>22</b>	67357	138944
	Total (21+22)	<b>29</b>	4320279	4960172
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	170506	193233
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	4490785	5153405
Regulatory excess capital (19-39)		<b>49</b>	239206	130667

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	239206	130667
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>		
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	239206	130667

**Realistic balance sheet**Name of insurer **Equitable Life Assurance Society**With-profits fund **ORDINARY LONG TERM**Financial year ended **31 December 2013**Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	4729991	5284072
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	23832	(841)
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	4753823	5283231
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	4753823	5283231

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	3167706	3370763	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>	690732	586867
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	265259	287723
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	11246	13216
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	877015	1179933
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	4895	8763
	Future costs of smoothing (possibly negative)	<b>44</b>		
	Financing costs	<b>45</b>		
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	222623	298900
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1518760	1773524	
Realistic current liabilities of the fund	<b>51</b>	67357	138944	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	4753823	5283231	



**Realistic balance sheet**

Name of insurer **Equitable Life Assurance Society**  
 With-profits fund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	4753823	5283231
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	4753823	5283231
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

**Other assets potentially available if required to cover the fund's risk capital margin**

Additional amount potentially available for inclusion in line 62	<b>81</b>		
Additional amount potentially available for inclusion in line 63	<b>82</b>		

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Income**

Earned premiums	11	10786	32611
Investment income receivable before deduction of tax	12	205257	232288
Increase (decrease) in the value of non-linked assets brought into account	13	(390955)	178318
Increase (decrease) in the value of linked assets	14	(2787)	(1116)
Other income	15	3402	3758
<b>Total income</b>	<b>19</b>	<b>(174297)</b>	<b>445860</b>

**Expenditure**

Claims incurred	21	368611	428897
Expenses payable	22	77878	57596
Interest payable before the deduction of tax	23	3	5
Taxation	24	1888	2815
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>448379</b>	<b>489313</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(622676)	(43453)
Fund brought forward	49	5732592	5776046
Fund carried forward (39+49)	59	5109917	5732592

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11	12139	39956	1881	53976	80275
Single premiums	12	20	4775	277	5072	19656

**Reinsurance - external**

Regular premiums	13	8689	36764	1076	46529	63301
Single premiums	14	20	1561	153	1733	4019

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	3449	3192	805	7447	16975
Single premiums	18	0	3214	124	3339	15637

**Total**

Gross	19	12159	44731	2158	59048	99931
Reinsurance	20	8709	38325	1229	48262	67319
Net	21	3449	6407	930	10786	32611

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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	10636	18246	1098	29980	33316
Disability periodic payments	12					
Surrender or partial surrender	13	12075	300527	5755	318357	180464
Annuity payments	14	4964	55693	7970	68627	70252
Lump sums on maturity	15	11226	266617	4581	282424	320396
<b>Total</b>	<b>16</b>	<b>38901</b>	<b>641084</b>	<b>19404</b>	<b>699388</b>	<b>604429</b>

**Reinsurance - external**

Death or disability lump sums	21	5511	6493	896	12899	14454
Disability periodic payments	22					
Surrender or partial surrender	23	5781	240320	3606	249707	100714
Annuity payments	24	831	7868	194	8893	8203
Lump sums on maturity	25	292	57685	1301	59278	52161
<b>Total</b>	<b>26</b>	<b>12415</b>	<b>312366</b>	<b>5996</b>	<b>330777</b>	<b>175532</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Death or disability lump sums	41	5126	11753	202	17081	18862
Disability periodic payments	42					
Surrender or partial surrender	43	6294	60207	2150	68650	79751
Annuity payments	44	4133	47825	7776	59734	62049
Lump sums on maturity	45	10934	208932	3280	223146	268235
<b>Total</b>	<b>46</b>	<b>26486</b>	<b>328717</b>	<b>13408</b>	<b>368611</b>	<b>428897</b>

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13		55		55	131
Management - maintenance	14	1282	34127	1366	36775	39335
Management - other	15	1429	38097	1522	41048	18130
<b>Total</b>	<b>16</b>	<b>2711</b>	<b>72279</b>	<b>2888</b>	<b>77878</b>	<b>57596</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43		55		55	131
Management - maintenance	44	1282	34127	1366	36775	39335
Management - other	45	1429	38097	1522	41048	18130
<b>Total</b>	<b>46</b>	<b>2711</b>	<b>72279</b>	<b>2888</b>	<b>77878</b>	<b>57596</b>

**Long-term insurance business : Summary of new business**Name of insurer **Equitable Life Assurance Society**

Total business

Financial year ended **31 December 2013**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	8			8	6
Single premium business	12		75	8	83	645
<b>Total</b>	<b>13</b>	<b>8</b>	<b>75</b>	<b>8</b>	<b>91</b>	<b>651</b>

**Amount of new regular  
premiums**

Direct insurance business	21	8	3813	45	3865	21127
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>8</b>	<b>3813</b>	<b>45</b>	<b>3865</b>	<b>21127</b>

**Amount of new single  
premiums**

Direct insurance business	25	20	4774	278	5072	19727
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>20</b>	<b>4774</b>	<b>278</b>	<b>5072</b>	<b>19727</b>

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

Name of insurer

**Equitable Life Assurance Society**

Total business

Financial year ended

**31 December 2013**

Units

**£000**

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
325	Level term assurance	8	6		
715	Life property linked endowment regular premium - savings		2		20

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

Name of insurer

**Equitable Life Assurance Society**

Total business

Financial year ended

**31 December 2013**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
380	Miscellaneous protection rider		5		
400	Annuity non-profit (CPA)			12	279
545	Individual deposit administration with-profits		171		464
555	Group deposit administration with-profits		191	8	2635
565	DWP National Insurance rebates UWP			2	54
725	Individual pensions property linked		1303	13	106
735	Group money purchase pensions property linked		2144	38	1232
745	DWP National Insurance rebates property linked			2	5



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

Name of insurer

**Equitable Life Assurance Society**

Total business

Financial year ended

**31 December 2013**

Units

**£000**

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			1	5
400	Annuity non-profit (CPA)			6	96
500	Life UWP single premium				0
510	Life UWP endowment regular premium - savings		0		
545	Individual deposit administration with-profits		3	1	24
715	Life property linked endowment regular premium - savings		8		56
725	Individual pensions property linked		34		97

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

Name of insurer **Equitable Life Assurance Society**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2013**  
 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	340261	340261	11925	3.08	
Other fixed interest securities	13	263840	263840	12691	3.97	
Variable interest securities	14	9123	9123	130	(0.29)	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	9645	9645	37	0.38	
<b>Total</b>	<b>19</b>	<b>622869</b>	<b>622869</b>	<b>24783</b>	<b>3.37</b>	

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

Land and buildings	21	2832	5064			3.72
Approved fixed interest securities	22	2432554	2432554	78444	2.21	(3.86)
Other fixed interest securities	23	1500864	1501338	72033	3.64	1.05
Variable interest securities	24	451344	451344	3867	(0.29)	2.24
UK listed equity shares	25					
Non-UK listed equity shares	26		443			(25.76)
Unlisted equity shares	27	21890	12453			(5.16)
Other assets	28	331234	337522	1136	0.34	(8.28)
<b>Total</b>	<b>29</b>	<b>4740718</b>	<b>4740718</b>	<b>155479</b>	<b>2.28</b>	<b>(2.04)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					(2.17)
Return allocated to non taxable 'asset shares'	32					2.00
Return allocated to taxable 'asset shares'	33					1.60

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

Name of insurer **Equitable Life Assurance Society**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2013**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	2121400	8.14	2.19	2.19
<b>Other approved fixed interest securities</b>	<b>21</b>	651415	8.82	2.74	2.70
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	209688	5.95	2.30	2.17
AA/Aa	<b>32</b>	319229	7.71	3.61	3.35
A/A	<b>33</b>	742100	8.94	3.72	3.09
BBB/Baa	<b>34</b>	476220	7.99	4.20	2.93
BB/Ba	<b>35</b>	5095	2.99	6.63	4.15
B/B	<b>36</b>	5650	3.79	8.06	0.18
CCC/Caa	<b>37</b>	5353	5.77	5.68	(12.51)
Other (including unrated)	<b>38</b>	1843	26.83	(5.04)	(21.38)
<b>Total other fixed interest securities</b>	<b>39</b>	1765178	8.08	3.68	2.90
<b>Approved variable interest securities</b>	<b>41</b>	460467	12.77	(0.29)	(0.29)
<b>Other variable interest securities</b>	<b>51</b>				
<b>Total (11+21+39+41+51)</b>	<b>61</b>	4998459	8.63	2.56	2.28

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	53598	25743	11466	90807	112312
Form 51 - non-profit	12	44932	792911	123714	961557	1071588
Form 52	13	76653	4042964	60587	4180205	4728304
Form 53 - linked	14	116602	1762701	49502	1928806	1903267
Form 53 - non-linked	15	417	16241	3004	19662	24791
Form 54 - linked	16	17484	260285		277769	276035
Form 54 - non-linked	17	239	4659		4898	5157
<b>Total</b>	<b>18</b>	<b>309926</b>	<b>6905504</b>	<b>248273</b>	<b>7463704</b>	<b>8121454</b>

**Reinsurance - external**

Form 51 - with-profits	21	87		25	112	110
Form 51 - non-profit	22	16705	343689	12338	372733	426804
Form 52	23	62	17940	1	18003	19304
Form 53 - linked	24	116602	1762701	49502	1928806	1903267
Form 53 - non-linked	25	417	16241	3004	19662	24791
Form 54 - linked	26	103	14162		14264	14399
Form 54 - non-linked	27		232		232	212
<b>Total</b>	<b>28</b>	<b>133977</b>	<b>2154964</b>	<b>64871</b>	<b>2353812</b>	<b>2388888</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Form 51 - with-profits	41	53511	25743	11441	90695	112202
Form 51 - non-profit	42	28227	449222	111375	588825	644784
Form 52	43	76591	4025024	60586	4162201	4709000
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46	17381	246123		263504	261636
Form 54 - non-linked	47	239	4427		4666	4944
<b>Total</b>	<b>48</b>	<b>175949</b>	<b>4750540</b>	<b>183402</b>	<b>5109892</b>	<b>5732566</b>

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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
100	Conventional whole life with-profits OB	1665	40149	1048				22966
120	Conventional endowment with-profits OB savings	1095	9409	300				7960
125	Conventional endowment with-profits OB target cash	1180	44616	878				18007
165	Conventional deferred annuity with-profits	127	404	1				869
210	Additional reserves with-profits OB							3796
300	Regular premium non-profit WL/EA OB	332	4670	72				3195
315	Individual deposit administration non-profit	178	1043					3338
325	Level term assurance	20017	1737199	4206				6188
330	Decreasing term assurance	7742	309815	1264				103
390	Deferred annuity non-profit	22	36					57
395	Annuity non-profit (PLA)	1258	3529					31371
435	Miscellaneous non-profit	2438	238575	592				680

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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
120	Conventional endowment with-profits OB savings		1083	87				87
300	Regular premium non-profit WL/EA OB		4670	72				3195
315	Individual deposit administration non-profit		1043					3338
325	Level term assurance		1737199	4206				6188
330	Decreasing term assurance		309815	1264				103
390	Deferred annuity non-profit		36					57
395	Annuity non-profit (PLA)		718					3144
435	Miscellaneous non-profit		238575	592				680

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	102	439					927
165	Conventional deferred annuity with-profits	75	296					650
210	Additional reserves with-profits OB							24166
315	Individual deposit administration non-profit	209	1195					3282
325	Level term assurance	3037	191714	473				1502
330	Decreasing term assurance	43	1196	6				1
380	Miscellaneous protection rider		999078	2618				4805
390	Deferred annuity non-profit	3060	8516					215722
400	Annuity non-profit (CPA)	30467	33523					566376
411	Group death in service dependant's annuities		2338	122				122
435	Miscellaneous non-profit	1269	123369	264				1101

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
315	Individual deposit administration non-profit		1195					3282
325	Level term assurance		191714	473				1502
330	Decreasing term assurance		1196	6				1
380	Miscellaneous protection rider		999078	2618				4805
390	Deferred annuity non-profit		8516					215722
400	Annuity non-profit (CPA)		5415					117153
411	Group death in service dependant's annuities		2338	122				122
435	Miscellaneous non-profit		123369	264				1101



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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 Overseas / 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
195	Annuity with-profits (PLA)	18	60					811
205	Miscellaneous conventional with-profits	13	908	8				76
210	Additional reserves with-profits OB							10579
325	Level term assurance	1184	136472	398				605
330	Decreasing term assurance	735	33013	157				3
380	Miscellaneous protection rider		5325	56				194
390	Deferred annuity non-profit	155	804					6446
395	Annuity non-profit (PLA)	174	988					11273
400	Annuity non-profit (CPA)	1082	6865					105194

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 Overseas / 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
205	Miscellaneous conventional with-profits		478	4				25
325	Level term assurance		136472	398				605
330	Decreasing term assurance		33013	157				3
380	Miscellaneous protection rider		5016	36				144
390	Deferred annuity non-profit		804					6446
395	Annuity non-profit (PLA)		15					219
400	Annuity non-profit (CPA)		227					4921

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Equitable Life Assurance Society**  
Total business / subfund **ORDINARY LONG TERM**  
Financial year ended **31 December 2013**  
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
500	Life UWP single premium	3165	33745		32567	32183	1576	33760
510	Life UWP endowment regular premium - savings	6860	130241	1308	26576	24220	1612	25832
555	Group deposit administration with-profits	2	13		13	14	0	14
575	Miscellaneous UWP	1740	1579	684	1579	1081	57	1138
610	Additional reserves UWP						15910	15910

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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
510	Life UWP endowment regular premium - savings		12301				6	6
575	Miscellaneous UWP		90854				55	55

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
535	Group money purchase pensions UWP		17389		17389	17389	552	17940
545	Individual deposit administration with-profits	64200	1628245		1628245	1661967	40377	1702343
555	Group deposit administration with-profits	83537	727330		727330	761364	21939	783304
565	DWP National Insurance rebates UWP	108621	916968		916968	933175	38050	971225
570	Income drawdown UWP	1934	49721		49721	49721		49721
571	Trustee investment plan UWP	1	61		61	58	0	59
610	Additional reserves UWP						518373	518373



**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 Overseas / 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
500	Life UWP single premium	246	3371		3371	3337	87	3424
510	Life UWP endowment regular premium - savings	735	21303	504	12305	12196	50	12245
545	Individual deposit administration with-profits	382	5278	349	5278	8029	95	8124
545	Individual deposit administration with-profits Deferred annuity	984	23882		23882	22132	1595	23728
555	Group deposit administration with-profits	671	5823		5823	5311	1322	6632
570	Income drawdown UWP	9	305		305	305		305
575	Miscellaneous UWP	2	30	1	2	1	0	1
610	Additional reserves UWP						6128	6128

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 Overseas / 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
510	Life UWP endowment regular premium - savings		3788				1	1
575	Miscellaneous UWP		30				0	0



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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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
700	Life property linked single premium	923	44773		44659	44659	80	44739
710	Life property linked whole life regular premium	524	15768	62	15703	15703	3	15706
715	Life property linked endowment regular premium - savings	1867	71208	1119	54883	54883	306	55189
735	Group money purchase pensions property linked	1	12		12	12		12
795	Miscellaneous property linked	319	18859	118	1345	1345	28	1374

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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
700	Life property linked single premium		44773		44659	44659	80	44739
710	Life property linked whole life regular premium		15768	62	15703	15703	3	15706
715	Life property linked endowment regular premium - savings		71208	1119	54883	54883	306	55189
735	Group money purchase pensions property linked		12		12	12		12
795	Miscellaneous property linked		18859	118	1345	1345	28	1374

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	71421	990552		990669	990669	4980	995648
735	Group money purchase pensions property linked	45000	306859		306859	306859	3601	310461
745	DWP National Insurance rebates property linked	31734	414261		414261	414261	7255	421516
750	Income drawdown property linked	481	21057		21057	21057		21057
755	Trustee investment plan	1	17		17	17		17
795	Miscellaneous property linked	896	2904		29838	29838	405	30243

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		990552		990669	990669	4980	995648
735	Group money purchase pensions property linked		306859		306859	306859	3601	310461
745	DWP National Insurance rebates property linked		414261		414261	414261	7255	421516
750	Income drawdown property linked		21057		21057	21057		21057
755	Trustee investment plan		17		17	17		17
795	Miscellaneous property linked		2904		29838	29838	405	30243

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 Overseas / 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
700	Life property linked single premium	23	524		521	521	58	580
715	Life property linked endowment regular premium - savings	626	22587	88	20003	20003	1202	21205
725	Individual pensions property linked	1146	20840		20840	20840	1192	22032
735	Group money purchase pensions property linked	257	4332		4332	4332	206	4538
750	Income drawdown property linked	4	454		453	453	1	453
795	Miscellaneous property linked	146	3353	162	3353	3353	346	3698

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 Overseas / 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
700	Life property linked single premium		524		521	521	58	580
715	Life property linked endowment regular premium - savings		22587	88	20003	20003	1202	21205
725	Individual pensions property linked		20840		20840	20840	1192	22032
735	Group money purchase pensions property linked		4332		4332	4332	206	4538
750	Income drawdown property linked		454		453	453	1	453
795	Miscellaneous property linked		3353	162	3353	3353	346	3698

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 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
900	Life index linked single premium	7	84		84	84		84
905	Index linked annuity	226	1199		17381	17381	239	17620
910	Miscellaneous index linked		19	0	19	19		19

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
900	Life index linked single premium		84		84	84		84
910	Miscellaneous index linked		19	0	19	19		19

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		384		10602	10602	230	10832
910	Miscellaneous index linked		3560		3560	3560	2	3562

**Long-term insurance business : Index linked business**Name of insurer **Equitable Life Assurance Society**

Total business

Financial year ended **31 December 2013**Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	252995	16.10
Other variable interest securities	12	9747	7.75
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18	763	
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	<b>263504</b>	

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

AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>		

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Equitable Life Assurance Society**Total business **ORDINARY LONG TERM**Financial year ended **31 December 2013**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 L&G Form 51 With Profits Policies - deferred annuities	893	2.90	2.90	3.43
UK L&G Form 51 With Profits Policies - other	52618	2.32	2.90	3.43
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment post 1991	15011	3.15	3.50	3.60
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment pre 1992	13216	3.50	3.50	3.60
UK L&G Form 52 With Profits Policies (net)	26574	2.32	2.90	3.43
UK L&G Form 52 With Profits Policies (net) short term business	50003	2.24	2.80	3.29
UK L&G Form 52 With Profits Policies (gross)	14	2.90	2.90	3.43
UK L&G Form 54 Annuity in payment - Index Linked post 1991	16176	0.20	0.22	0.25
UK L&G Form 54 Annuity in payment - Index Linked pre 1992	1444	0.22	0.22	0.25
UK Pens Form 51 With Profits Policies	25743	2.90	2.90	3.43
UK Pens Form 51 Non Profit annuity in payment	449222	3.50	3.50	3.60
UK Pens Form 52 With Profits Policies	3033536	2.90	2.90	3.43
UK Pens Form 52 With Profits Policies short term business	941767	2.80	2.80	3.29
UK Pens Form 52 With Profits - miscellaneous	49721			0.21
UK Pens Form 54 Annuity in payment - Index Linked	250550	0.22	0.22	0.25
OVS Form 51 With Profits Policies - annuities in payment	815	3.50	3.50	3.52
OVS Form 51 With Profits Policies (net)	52	2.32	2.90	3.43
OVS Form 51 With Profits Policies (gross)	10579	2.90	2.90	3.43
OVS Form 51 Non profit - annuities in payment	111374	3.50	3.50	3.60
<b>Total</b>				

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Equitable Life Assurance Society**Total business **ORDINARY LONG TERM**Financial year ended **31 December 2013**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
OVS Form 52 With Profits Policies (net)	2229	2.32	2.90	3.43
OVS Form 52 With Profits Policies (net) short term business	3197	2.24	2.80	3.29
OVS Form 52 With Profits Policies (gross)	36161	2.90	2.90	3.43
OVS Form 52 With Profits Policies (gross) short term business	3949	2.80	2.80	3.29
OVS Form 52 With Profits - miscellaneous	15071			0.21
<b>Total</b>	5109917			

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **ORDINARY LONG TERM**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

Fund carried forward	11	5109917	5732592
Bonus payments in anticipation of a surplus	12	30775	37427
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5140692	5770019
Mathematical reserves	21	5109892	5732566
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	30800	37454

**Composition of surplus**

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	30800	37454
Total	39	30800	37454

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	30775	37427
Cash bonuses	42		
Reversionary bonuses	43	25	27
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	30800	37454
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	30800	37454
Surplus carried forward	49		
Total (48+49)	59	30800	37454

**Percentage of distributed surplus allocated to policyholders**

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

**Long-term insurance business : With-profits payouts on maturity (normal retirement)**Name of insurer **Equitable Life Assurance Society**Original insurer **Equitable Life Assurance Society**Date of maturity value / open market option **01 March 2014**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10298	1496	n/a	CWP	N	10298
Endowment assurance	20	16068	2451	n/a	CWP	N	16068
Endowment assurance	25	25141	3835	n/a	CWP	N	25141
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	43741	8953	n/a	UWP	N	43741
Regular premium pension	20	68310	0	n/a	UWP	N	68310
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	13071	2535	n/a	UWP	N	13071
Single premium pension	20	22892	0	n/a	UWP	N	22892

**Long-term insurance business : With-profits payouts on surrender**

Name of insurer **Equitable Life Assurance Society**  
 Original insurer **Equitable Life Assurance Society**  
 Date of surrender value **01 March 2014**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9154	907	n/a	CWP	Y	18464
Endowment assurance	20	15043	1612	n/a	CWP	Y	21048
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a



**Long-term insurance capital requirement**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2013**Units **£000**

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		0.50		
Classes I (other), II and IX	14	0.3%	4005513	241138	6008	6775
Classes III, VII and VIII	15	0.3%	18844		28	34
<b>Total</b>	<b>16</b>		<b>4024357</b>	<b>241138</b>	<b>6037</b>	<b>6809</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				27	27
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	5232539	4841747	0.93	48417
Classes III, VII and VIII (investment risk)	33	1%	299037	268171	0.90	2682
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	17383		0.85	148
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%	66		0.85	1
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>51247</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	5232539	4841747	0.93	145252
Classes III, VII and VIII (investment risk)	43	3%	299037	268171	0.90	8045
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	17383			
Classes III, VII and VIII (other)	45	0%	1914705			
Class IV (other)	46	3%	66		0.85	2
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>7463729</b>	<b>5109917</b>		<b>153299</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>210610</b>
						<b>236274</b>

## RETURNS UNDER INSURANCE COMPANIES LEGISLATION

### THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2013

### SUPPLEMENTARY NOTES TO THE RETURN

#### \*0301\* Net Admissible Assets and Capital Resources

Valuation differences between assets in Form 3 and assets in Forms 13 and 14 are illustrated below:

Description	Reference	£000
Net Admissible Assets	Form 13 Line 89	5,627,091
Mathematical Reserves	Form 14 Line 11	(5,109,917)
Other Insurance Liabilities	Form 14 Line 49	(67,357)
Total Capital Resources	Form 3 Line 79	449,816

#### \*0310\* Positive Valuation Difference

The positive valuation difference detailed in line 14 represents the difference between the value of with-profits liabilities as valued in accordance with the Regulators' Handbook of rules and guidance and the value of with-profits liabilities that the Society has used in its external financial reporting to comply with FRS 27.

#### \*1308\* Aggregate Values

The aggregate value of unlisted investments included at lines 41, 42, 46 or 48 which have been valued in accordance with GENPRU rule 1.3 is £2.4m (2012: £3.9m).

Part of the Society's assets is invested in property (including property unit trusts), unlisted equity and illiquid fixed income securities, amounting to £207m at the year-end (2012: £332m). In adverse market conditions, it may not be possible to realise these investments without delay.

The aggregate value of investments in collective investment schemes in line 43 that are not schemes falling within the UCITS Directive are £15.5m (2012: £22.6m).

#### \*1309\* Aggregate Value of Hybrid Securities

The aggregate value of hybrid securities included at lines 46 or 48 is £29.0m (2012: £28.3m).

#### \*1310\* Amounts Receivable and Payable

Amounts due to and from any one person have been offset where appropriate in accordance with generally accepted accounting principles.

#### \*1312\* Large Counterparty Exposures

There were no exposures to counterparties at the end of the financial year exceeding 5% of the Society's base capital resources requirement and long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

\*1318\* Other asset adjustments

The Society has adopted 'FRS26 Financial Instruments: Measurement' in the preparation of its external financial reporting. As a result, the reinsurers' share of technical provisions reported on Form 13 differs from that recorded in the Society's Annual Statutory Report and Accounts by £19.1m (2011: £24.4m).

Rights under derivative contracts are shown on Line 44 of Form 13 net of variation margin of £46.5m (2012: £89.4). This variation margin is recorded as a liability in the Society's Annual Statutory Report and Accounts.

The net difference of £27.4m is recorded on Line 101 of Form 13.

\*1319\* Investment Guidelines, Maximum Counterparty Exposure

The maximum amount that the investment manager is permitted to expose the funds of the Society to any one Counterparty is controlled by the following limits for individual entities or groups including exposure across significant asset classes as follows;

<b>Maximum investment in any individual entity or group</b>	<b>% of total fixed interest</b>
Supranational and Government guaranteed "AAA" rated	5.00%
Other "AAA"	2.00%
"AA" rated	2.00%
"A" rated	1.00%
"BBB" rated	0.50%

All new purchases should be rated as BBB- or above at the time of purchase. Certain specified securities (known as 'grandfathered' securities) are excluded from these limits. These are securities which were historically held by the Society, which will be sold down when market conditions are considered favourable.

The Society has no appetite to actively increase its exposure to illiquid securities. As such, unless it receives prior approval from the Society, the investment manager is not permitted to purchase securities which it deems to be illiquid at the time of purchase.

Additionally, as a further step, the maximum of the outstanding amount of any one issue that may be held shall be 5%. The investment manager is permitted to bid for up to 10% of a new syndication. If any allocation exceeds 5% then this holding is to be reduced to 5% within 90 days of the purchase. This 90 day period can be waived or extended on a case by case basis by the mutual consent of the Society and the investment manager. For Medium Term Notes, Asset Backed Securities and Mortgage-backed Securities issues, such percentages shall be measured against the issue in the aggregate rather than against the individual tranches of such issue.

For any individual group or entity that is classified as Supranational or Government Guaranteed by the investment manager and is rated "AAA", the maximum of the outstanding amount of any one issue that may be held shall be 15%.

\*1401\* Provision for Adverse Changes

Investment guidelines for the use of conventional derivatives operated throughout the year and did not permit the writing of uncovered call options. Consequently, no provision for adverse changes is considered necessary.

#### \*1402\* Charges, Contingent Liabilities, Guarantees, Indemnities and Contractual Commitments

No assets included in Form 13 are subject to a charge.

No liabilities included in Form 14 are secured by a charge.

There is no liability in respect of Capital Gains Tax which might arise if the insurance company were to dispose of its assets.

There are no contingent liabilities, guarantees, indemnities or contractual commitments.

The financial position of the Society has been projected under a range of economic scenarios, which take into account consequential policyholder behaviour, in order to assess how robust the Society remains in adverse conditions. The projections make allowance for capital distributions. The Board has also considered both contingent liabilities and uncertainties in its analysis of the Society's financial position and considers that these have reduced in significance in recent years. Based on the analysis, the Board is confident of its ability to manage adverse scenarios that may arise, recognising in some scenarios, that reductions to policyholder payouts would be required.

The Board has assessed these uncertainties using the latest available information and has concluded that it is appropriate to prepare these financial statements on a going concern basis.

#### \*1405\* Reconciliation of Total Liabilities to Financial Statements

The value in line 74 represents:

- a) the difference between the value of liabilities as valued in accordance with the Regulators' Handbook of Rules and Guidance and the value of liabilities detailed in external financial reporting to comply with FRS27; and
- b) the variation margin in respect of derivative contracts, included in Form 13, which is shown as a liability in external financial reporting.

#### \*1701\* Treatment of the variation margin

The aggregate excess variation margin received in respect of derivatives in 2013 was £3.6m (2012: £1.2m).

The variation margin is included within line 54 of Form 13.

The liability to repay the excess variation margin at the end of 2012 is reflected in line 87 of Form 13.

#### \*4002\* Other Income

Other Income is comprised of the following:

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Stock Lending commission	227	290
Administration services	2823	3,036
Other Income	353	432
	<b>3,402</b>	<b>3,758</b>

Within other income there is an amount of £2.8m (YE 2012: £3.0m) for administration services. Administration of reassured policies has been carried out by the Society for the whole of the period 1 January 2013 to 31 December 2013 and administration costs have been charged to LBG.

#### \*4005\* Income and Expenditure Translation

Foreign currency values for income and expenditure have been translated at rates of exchange ruling at the time of the respective transactions.

#### \*4008\* Management Services

LBG continued to provide IT hosting services to the Society for the period 1 January 2013 to 31 December 2013.

The Society has been responsible for the administration of reinsured policies and administration costs have been charged to LBG. This is reflected in note 4002 other income.

Investment services were provided by BlackRock Investment Management (UK) Limited throughout 2013.

Property administration services were provided by Schroders Limited throughout 2013.

#### \*4010\* Investment Income from Linked Assets

Included within line 12 is £4.4m of income earned on linked assets.

#### \*4803\* Assumed redemption dates

For callable securities with a range of redemption (or option) dates we take advice from our investment managers as to the most likely date of redemption. Remaining securities are assumed to be redeemed at the earliest or latest redemption (or option) date, whichever gives the lower yield. The value of 'approved fixed interest securities' and 'other fixed interest securities' with variable redemption (or option) dates are £0.2m and £286.3m respectively.

Irredeemable assets with no first option date are assumed to have a redemption date in 2049.

Property and equity are assumed not to be redeemed.

#### \*4806\* Assets used to calculate the investment returns

All assets in column 2 have been used to calculate the investment returns in column 5.

#### \*4807\* Return allocated to Asset Shares

The return allocated to asset shares is an increase of 2.0% for pension contracts and 1.6% for life contracts. This is the return allocated by the Board, after consideration of all risks, reserving and capital matters.

#### \*4901\* Rating agencies

The credit rating used is the lower of Moody's, Standard & Poor's and Fitch (if available).

In the absence of such ratings, one is supplied by BlackRock Investment Management (UK) Limited; the Society's third party investment manager who is not connected with the Society.

#### \*4902\* Negative redemption yield

The allowance made for risk of default of income and redemption payments on fixed interest corporate bonds has led to negative redemption yields for assets in ratings categories "CCC/Caa" and "Other (including unrated)".

The negative yield on approved variable interest securities is due to negative real yields at short durations.

\*5102\* Policy count

The benefits under code 380 are attributable to life cover and death in service benefits attached to individual and group policies in codes 545, 555, 725 and 735. The policy count has been set to zero to avoid double counting.

\*5201\* Group scheme member count

There are 25 Final Salary schemes included in code 555 where benefits are not required at member level. Column 3 has been set to zero for these policies.

\*5202\* Group scheme member count

There are three schemes in the figures for code 555 where the number of members has been approximated to 50. These schemes are administered by a third party.

\*5203\* Policy count

Where a policy has both with-profits and unit linked benefits the policy count has been entered on Form 53.

\*5301\* Group scheme member count

There are 9 Final Salary schemes included in code 735 where benefits are not required at member level. Column 3 has been set to zero for these policies.

\*5302\* Policy count

Where a policy has both with-profits and unit linked benefits the policy count has been entered on Form 53.

\*5303\* Miscellaneous reserves

The reserves of £35.314m under code 795 are attributable to property linked immediate annuities (£31.079m), property linked deferred annuities (£3.698m), property linked health products (£0.480m) and Building Society linked endowment assurance (£0.057m).

\*5702\* Section 148 Waiver - Determination of Rates of Interest on Fixed Interest Securities

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Act in November 2012. The effect of the direction is to modify INSPRU 3.1.35 to require the firm to calculate the yield on certain categories of fixed interest security on an aggregate basis.

\*5901\* Market Value Adjustment

For CWP contracts no explicit MVA is applied as part of the surrender basis. Surrender values are set so that they are comparable to UWP policies on surrender.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Introduction

1. (1) The date of the valuation was 31 December 2013.
- (2) The date of the previous valuation was 31 December 2012.
- (3) The date of the interim valuation was 30 June 2013.

### Product range

2. There were no significant changes to the Society's product range. The Society is closed to new business except for incremental premiums to existing contracts and the exercising of a small number of policy options.

### Discretionary charges and benefits

3. (1) A market value reduction (or equivalent) was applied throughout 2013 for non-contractual withdrawals from all with-profits contracts.
- (2) There were no changes to the basis for setting premiums on reviewable protection policies during the year.
- (3) The interest rate added to non-profit deposit administration policies varied depending on the date the policy commenced. This rate is fixed until benefits are taken.
- (4) There were no changes to service charges on linked policies.
- (5) There were no changes to benefit charges on linked policies.
- (6) There were no changes to the method and basis for management charges on unit-linked or accumulating with-profits policies.
- (7) – (10) All linked liabilities are wholly reassured with Halifax Life, Clerical Medical Investment Group Limited and Clerical Medical Managed Funds Limited. Linked fund prices mirror those set by the reinsurer.

### Valuation Basis

4. The bases (and methodology) are set out in the following paragraphs.

- (1) General

The main method used was that of a gross premium valuation with specific reserves for the future expenses of running the business.

#### Accumulating with-profits policies

For accumulating with-profits policies in the Basic Life Assurance and General Annuity and Pension Business Funds which were grouped by calendar year of vesting date, it has been assumed that the vesting date falls in the middle of the group year.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

The liability was calculated by discounting the guaranteed benefits (including any declared and attaching bonus) with an allowance for guaranteed investment return (GIR) where appropriate. Policies effected before 1 July 1996 have a GIR of 3.5% p.a. (with the exception of some Retirement Annuity policies effected prior to 1 October 1975 that have a GIR of 2.5% p.a.) and policies effected on or after 1 July 1996 have a GIR of 0.0% p.a.

For policies with flexible retirement dates, the dates at which retirement benefits are assumed to be taken are based on an amounts analysis of recent Society experience and are set out in section 4 (9).

Certain pension policies also contain a guaranteed minimum level of pension. The liability for these policies was set to the higher of the discounted cash fund and declared bonus cash fund or the discounted value of the guaranteed minimum pension at retirement. The reserves were calculated using the same mortality and expense basis and methodology used to value annuities in payment but with interest appropriate to pre retirement pension policies. This value was then discounted to the valuation date using interest and mortality for pre retirement pension policies.

For with-profits managed pension policies, school fee trust plans and with-profits personal pension trustee income drawdown policies, the current full value of the guaranteed fund and attaching declared bonus fund was reserved.

The attributable expense reserves are based on the ongoing costs directly relating to administration derived from the current expected future expenses of the Society. These will be covered by the policy fees from gross policies before their assumed benefit payment dates. None of these expenses are therefore assumed to be covered by policy fees on policies past their assumed benefit payment date, which includes all managed pension contracts. These expenses are assumed to increase in line with inflation. For policies with flexible retirement dates the dates at which retirement benefits are assumed to be taken are based on a lives analysis of recent Society experience and are set out in section 4 (9).

### **Annuities**

Immediate annuities were valued individually using a discounted monthly cashflows model. Outstanding guaranteed periods and escalation in payment are also allowed for in the valuation where applicable.

For with-profits immediate annuities the liability was calculated by valuing the guaranteed payments and attaching bonus payments.

### **Conventional Business**

#### ***With-Profits***

For the main classes of annual premium business the liability was calculated by deducting from the value of the guaranteed benefits, including vested bonus additions, the value of office premiums receivable after deducting from these a provision for future expenses.

Whole life assurances were valued individually and the factors for valuing sums assured and bonuses were increased by one half-year's interest to allow for immediate payment of claims.

Endowment assurances were grouped according to the calendar year of maturity and attained age. An allowance was made for immediate payment of claims.



# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

Assurances upon sub-standard lives were valued as though they were upon normal lives assured at the tabular rates of premium and the valuation liability was increased by the amount of one year's extra premium.

### *Non-Profit*

All non-profit assurances (other than annually reviewable group scheme cover – see 'Other Business' below) were valued individually using a discounted monthly cashflows model.

The additional premium charged on sub-standard lives was assumed to be exactly matched by the additional death benefit.

### **Surrender Value Reserve**

For accumulating with-profits business, an additional reserve for the amount of a cash payment secured by the exercise of an option to surrender the policy has been calculated in accordance with INSPRU 1.2.71R. This is calculated by comparing the "normal" policy reserve obtained using the gross premium valuation method applied to the guaranteed benefits for accumulating with-profits policies as described earlier in section 4 (1) plus the allowance for future expenses as described in paragraph 4 (6), with the lower of:

- the current surrender value that could reasonably be expected to be paid having regard to the representations made to policyholders, and
- that value disregarding discretionary adjustments (i.e. disregarding both the financial adjustment and final bonus beyond the current guaranteed value).

Where the "normal" reserve is higher, no additional reserve is held. Where it is lower, the difference is held within this additional reserve.

The bases to be used in the event of surrender or transfer are not guaranteed, and the primary objective when setting the basis is to protect the interests of the continuing with-profits policyholders. In the event of a significant level of policy discontinuances, the Society reserves the right to reduce surrender payments. If it were required in order to protect solvency, surrender payouts could be made equal to the discounted value of the guaranteed benefits.

An additional reserve is also calculated for conventional with-profits business, in a similar way to that described above.

### **Unit Linked**

The unit liability under all linked contracts was valued by taking the number of units deemed to attach to policies multiplied by the valuation price per unit. The valuation prices match those set by Halifax Life for liabilities reinsured through Halifax Life, those set by Clerical Medical Managed Funds Limited (CMMF) for liabilities reinsured through CMMF and those set by Clerical Medical Investment Group Limited (CMIG) for liabilities reinsured through CMIG. The business is fully reinsured.

The unit liability under all contracts linked directly to the Halifax UK Growth OEIC was valued by taking the number of units deemed to attach to policies multiplied by the mid price of Halifax UK Growth OEIC shares on the valuation date.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

The non-unit liability was calculated using a per policy projected cash flow methodology. The only non-linked liabilities are in respect of expenses and mortality and are described in section 4 (6) and 4 (4) below.

### **Other Business**

For with-profits Flexible Protection Plans and German Deferred Annuity policies, which were grouped by calendar year of maturity date or annuity vesting date as appropriate, it has been assumed that the maturity or vesting date falls in the middle of the group year. The liability was calculated by discounting the guaranteed fund and attaching bonuses where appropriate and adding the amount of the current month's mortality charge deduction.

With-profits Bonds, with-profits Personal Investment Plans, with-profits Personal Pension Trustee Investment policies and with-profits International Investment Plans were grouped by calendar year of the next option date on which full withdrawal can be made on guaranteed terms. For this purpose the guaranteed fund and bonuses attaching to different single premiums paid to the policy were included in the appropriate group years. It has been assumed that the next option date falls in the middle of the group year. The liability was calculated by discounting the guaranteed fund and attaching bonuses.

Recurrent single premium death-in-service group pension arrangements were valued using one year's premium.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

(2) Interest rates used are set out in the following table:

With-profits business classes are split into short- and long-term business in accordance with the average remaining term of the class.

<b>Product group</b>	<b>Rate at 31 December 2013</b>	<b>Rate at 31 December 2012</b>
UK non-profit annuities (Pensions)	3.50%	3.10%
UK non-profit annuities pre-1992 (Life)	3.50%	3.10%
UK non-profit annuities post-1991 (Life)	3.15%	2.79%
Overseas non-profit annuities (Pensions)	3.50%	3.10%
German with-profits annuities (Life)	3.50%	3.50%
UK index-linked annuities pre-1992 (Life)	0.22%	0.20%
UK index-linked annuities post-1991 (Life)	0.20%	0.18%
UK index-linked annuities (Pensions)	0.22%	0.20%
Long-term pension contracts	2.90%	2.20%
Short-term pension contracts	2.80%	1.80%
UK with-profits endowments and whole life	2.32%	1.76%
UK term assurance	2.22%	1.66%
UK with-profits long-term policies (Flexible Protection Plan, Regular Savings Plan, Major Medical Cash Plan, Critical Illness Plan)	2.32%	1.76%
UK with-profits short-term policies (With-Profits Bond, Personal Investment Plan)	2.24%	1.44%
Overseas with-profits policies (Life)	2.32%	1.76%
UK non-profit annuities in deferment (Pensions)	2.80%	2.10%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

(3) Yields on assets are reduced to allow for risk as follows:-

Equity shares are assumed to have no yield.

Property (and property unit trust) assets are assumed to have no yield.

The rates of interest on fixed interest securities have been determined using an aggregate yield basis, i.e. by calculating the rate of interest as the rate which equates the aggregate market value to the discounted value of the aggregate cash flows. The fixed interest portfolio (excluding convertible fixed interest securities) has been separated into two segments of securities which have like attributes (being the categories on Forms 48 and 49), i.e.:

- approved fixed interest securities, and
- other fixed interest securities.

Yields on approved fixed interest assets with credit ratings of "exceptionally or extremely strong" or "very strong" are not reduced for risk.

The assumptions used to reduce the yield are based on historic 20 years of Moody's data up to 2010 representing the mean default rate plus 2 standard deviations and are shown in the following table. Equivalent data up to 2012 shows a trivial change to defaults and so the assumptions used in the 31 December 2012 valuation (based on Moody's data up to 2010) have been maintained. The reduction is subject to a minimum default allowance of 35% of credit spreads seen on the Society's corporate bond portfolio based on the aggregate yield.

<b>Credit Rating</b>	<b>Yield Reduction at 31 December 2013</b>	<b>Yield Reduction at 31 December 2012</b>
AAA	0.13%	0.13%
AA+	0.18%	0.18%
AA	0.24%	0.24%
AA-	0.31%	0.31%
A+	0.42%	0.42%
A	0.56%	0.56%
A-	0.74%	0.74%
BBB+	0.99%	0.99%
BBB	1.31%	1.31%
BBB-	1.75%	1.75%
BB+	2.32%	2.32%
BB	3.09%	3.09%
BB-	4.12%	4.12%
B+	5.48%	5.48%
B	7.30%	7.30%
B-	9.71%	9.71%
CCC	17.21%	17.21%
CC	17.21%	17.21%

Non-rated stocks are treated as having rating CC.

For stocks with variable redemption dates we have taken the view of investment advisors and set the redemption date to the expected redemption date and taken into account any anticipated changes to income until this date.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

(4) The mortality rates are summarised in the following tables:

(i) Immediate Annuities

Product Group	Table at 31 December 2013 in possession	Complete expectation of life		Table at 31 December 2012 in possession	Complete expectation of life	
		65	75		65	75
UK non-profit annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2013*	Male 25.6	Male 16.4	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2
	65.0% PNFL00cmi2011 [1.25%] U=2013*	Female 28.5	Female 18.7	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6
UK non-profit annuities (Life)	75.0% IML00cmi2011 [1.5%] U=2013*	Male 26.2	Male 16.7	75.0% IML00cmi2011 [1.5%] U=2012*	Male 26.1	Male 16.5
	77.5% IFL00cmi2011 [1.25%] U=2013*	Female 28.0	Female 18.0	77.5% IFL00cmi2011 [1.25%] U=2012*	Female 27.9	Female 17.9
Overseas with-profits annuities (Life)	75.0% PNML00cmi2011 [1.5%] U=2013*	Male 25.6	Male 16.4	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2
	65.0% PNFL00cmi2011 [1.25%] U=2013*	Female 28.5	Female 18.7	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6
Overseas non-profit annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2013*	Male 25.6	Male 16.4	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2
	65.0% PNFL00cmi2011 [1.25%] U=2013*	Female 28.5	Female 18.7	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6
UK unit-linked annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2013*	Male 25.6	Male 16.4	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2
	65.0% PNFL00cmi2011 [1.25%] U=2013*	Female 28.5	Female 18.7	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6
UK index-linked annuities (Life)	75.0% IML00cmi2011 [1.5%] U=2013*	Male 26.2	Male 16.7	75.0% IML00cmi2011 [1.5%] U=2012*	Male 26.1	Male 16.5
	77.5% IFL00cmi2011 [1.25%] U=2013*	Female 28.0	Female 18.0	77.5% IFL00cmi2011 [1.25%] U=2012*	Female 27.9	Female 17.9
UK index-linked annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2013*	Male 25.6	Male 16.4	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2
	65.0% PNFL00cmi2011 [1.25%] U=2013*	Female 28.5	Female 18.7	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6

\* The allowance for future mortality improvements is based on future mortality improvements in the cmi2011 tables with a long-term improvement rate of 1.5% p.a. for males and 1.25% p.a. for females.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Deferred annuities

#### In deferment

Product group	Table at 31 December 2013 in deferment	Table at 31 December 2012 in deferment
UK non-profit deferred annuities (Pensions)	82.5%AMC00ult 87.5%AFC00ult	82.5%AMC00ult 87.5%AFC00ult
German with-profits deferred annuities (Life)	82.5%AMC00ult 87.5%AFC00ult	82.5%AMC00ult 87.5%AFC00ult

#### In payment

Product Group	Table at 31 December 2013	Complete expectation of life at age 65 for current age		Table at 31 December 2012	Complete expectation of life at age 65 for current age	
		45	55		45	55
UK non-profit deferred annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2013* 65.0% PNFL00cmi2011 [1.25%] U=2013*	Male	Male	75.0% PNML00cmi2011 [1.5%] U=2012* 65.0% PNFL00cmi2011 [1.25%] U=2012*	Male	Male
		28.0	26.7		27.8	26.6
German with-profits deferred annuities (Life)	75.0% PNML00cmi2011 [1.5%] U=2013* 65.0% PNFL00cmi2011 [1.25%] U=2013*	Female	Female	75.0% PNML00cmi2011 [1.5%] U=2012* 65.0% PNFL00cmi2011 [1.25%] U=2012*	Female	Female
		30.4	29.5		30.4	29.4

\* The allowance for future mortality improvements is based on future mortality improvements in the cmi2011 tables with a long-term improvement rate of 1.5% p.a. for males and 1.25% p.a. for females.

#### ii) Linked business

For Managed Pensions no mortality was assumed. Otherwise, AM80 ultimate mortality was assumed with a 2-year deduction from age for male lives and a 6-year deduction from age for female lives.

#### iii) Other products

Product group	Table at 31 December 2013	Table at 31 December 2012
All pension contracts	82.5%AMC00ult 87.5%AFC00 ult	82.5%AMC00ult 87.5%AFC00 ult
UK endowments and whole life	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
UK term assurance	62.5% TMC00 82.5% TFC00	62.5% TMC00 82.5% TFC00
UK with-profits policies (Life)	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
Overseas with- profits policies (Life)	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (5) There are no significant morbidity risks.
- (6) The attributable expense basis is summarised in the following tables.  
There are no Zillmer adjustments.  
For net business it is assumed that the tax relief will be at 20%.

### Accumulating with-profits business

For accumulating with-profits business, the following current levels of administrative expenses (excluding fund management) were assumed. It was further assumed that these expenses would increase at a rate of 3.5% per annum (2012 - 3.1% per annum).

Product code	Product name	Year ending 31 December 2013	Year ending 31 December 2012
500	UWP Bond	£20.00 per benefit	£30.00 per benefit
510	UWP savings endowment	£20.00 per benefit	£30.00 per benefit
510	UWP assurance	£70.00 per benefit	£60.00 per benefit
535	UWP group regular premium pension	£5.00 per benefit	£6.00 per benefit
555	Group deposit administration with-profits	£5.00 per benefit	£6.00 per benefit
545	Individual deposit administration with-profits	£20.00 per benefit	£15.00 per benefit

Separate allowance was made for fund management expenses using a loading of 1.15 per mille (2012 – 1.25 per mille) of the basic benefit including declared bonuses. These expenses were assumed to escalate in line with the valuation interest rates, i.e. a net rate of discount of 0%.

For life assurance and general annuity business the appropriate per policy expenses and fund management assumptions shown above were netted down for tax at a rate of 20%.

No other explicit reserve was made for expenses on policies where premiums have ceased or no future premiums are payable. The method of valuation does not take credit for future premiums as an asset.

### Conventional business

Product code	Product name	Year ending 31 December 2013	Year ending 31 December 2012
120	CWP savings endowment	3% of office premium	3% of office premium
125	CWP target cash endowment	3% of office premium	3% of office premium
155/165	CWP pensions	4% of office premium	4% of office premium
325/330	Term assurance	0% of office premium	4.5% of office premium

In addition, an annual loading of £3 (2012 – £3) was reserved per CWP policy and £12 (2012 - £nil) per Term Assurance policy.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Annuities

For annuities in payment, the following current levels of administrative expenses were assumed. It was further assumed that the per benefit expenses would increase at a rate of 3.5% per annum (2012 – 3.1%).

Product code	Product name	Year ending 31 December 2013		Year ending 31 December 2012	
		Per benefit	Fund management	Per benefit	Fund management
400	Annuity	£10.00	1.1 per mille	£10.00	1.1 per mille

### Linked business

Future administration charges for unit-linked and “FTSE 100” linked policies are paid by Halifax Life, Clerical Medical Investment Group Limited and Clerical Medical Managed Funds Limited as contractually agreed. In Forms 53 and 54 we have treated reserves set up in respect of these charges as reassured liabilities. Any difference between these charges and future expenses are reserved for separately in the unattributable expense reserve.

For UK business only contractual future premiums have been assumed in the calculation of the non-unit-reserve.

Product code	Product name	Year ending 31 December 2013	Year ending 31 December 2012
700	Bond	£9.27 per benefit	£9.19 per policy
715	Savings endowment	£9.27 per benefit	£9.19 per policy
725	Regular premium pension	£6.19 per benefit	£13.94 per policy
735	Group regular premium pension	£7.35 per benefit	£16.96 per member

For Non-UK business only contractual future premiums have been assumed in the calculation of the non-unit-reserve.

Product code	Product name	Year ending 31 December 2013	Year ending 31 December 2012
700	Bond	£78.15 per benefit	£78.68 per policy
715	Savings endowment	£78.15 per benefit	£78.68 per policy
725	Regular premium pension	£90.22 per benefit	£118.22 per policy
735	Group regular premium pension	£66.45 per benefit	£145.39 per member

There is also a 10bps (2012 – 15bps) expense charge p.a. to allow for investment expenses and overheads.



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## REGULATORY VALUATION REPORT

- (7) The unit growth rates (before management charges) and expense inflation rates are:

Year ending 31 December 2013		Year ending 31 December 2012	
Unit growth rate	Expense inflation	Unit growth rate	Expense inflation
3.0%	5.0%	2.2%	4.6%

- (8) The method of valuation described above makes an allowance for any future guaranteed investment return described in section 4 (1) – Accumulating With-profits Policies. The assumption for future discretionary bonus for with-profits contracts is zero for all classes.

- (9) The persistency assumptions are as follows:

There are no non-contractual withdrawals assumed.

### *With-Profit*

For pension policies where there is a range of contractual retirement dates, recent Society experience for lives and benefits has been used to derive the persistency assumptions for expenses and policy values respectively.

Experience has been split into two categories: policies that are yet to reach and those already past the Earliest Contractual Date (ECD) shown in the table below. The assumed retirement ages in relation to ECD are shown in the following tables (where NRA = Normal Retirement Age):

Assumption for expenses for policies yet to reach ECD:

Product Type	Year ending 31 December 2013	Year ending 31 December 2012	Original ECD
Group Pensions	At ECD	At ECD	NRA
Individual (executive) Pensions	5.00 years after ECD (ECD = Age 60)	1.50 years after ECD (ECD = NRA)	2012 = NRA 2013 = 60
Personal Pensions (non-DSS)	10.25 years after ECD	10.25 years after ECD	55
Personal Pensions (DSS)	5.00 years after ECD	5.00 years after ECD	60
Retirement Annuities	7.00 years after ECD	7.00 years after ECD	60

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

Assumption for expenses for policies already past ECD:

<b>Product Type</b>	<b>Year ending 31 December 2013</b>	<b>Year ending 31 December 2012</b>	<b>Original ECD</b>
Group Pensions	12.00 years after ECD	12.00 years after ECD	NRA
Individual (executive) Pensions	10.00 years after ECD (ECD = Age 60)	3.50 years after ECD (ECD = NRA)	2012 = NRA 2013 = 60
Personal Pensions (non-DSS)	13.25 years after ECD	13.25 years after ECD	55
Personal Pensions (DSS)	7.50 years after ECD	7.50 years after ECD	60
Retirement Annuities	10.50 years after ECD	11.50 years after ECD	60

Assumption for benefits for policies yet to reach ECD:

<b>Product Type</b>	<b>Year ending 31 December 2013</b>	<b>Year ending 31 December 2012</b>	<b>Original ECD</b>
Group Pensions	At ECD	At ECD	NRA
Individual (executive) Pensions	5.00 years after ECD (ECD = Age 60)	1.50 years after ECD (ECD = NRA)	2012 = NRA 2013 = 60
Personal Pensions (non-DSS)	10.25 years after ECD	10.25 years after ECD	55
Personal Pensions (DSS)	5.00 years after ECD	5.00 years after ECD	60
Retirement Annuities	7.00 years after ECD	7.00 years after ECD	60

Assumption for benefits for policies already past ECD:

<b>Product Type</b>	<b>Year ending 31 December 2013</b>	<b>Year ending 31 December 2012</b>	<b>Original ECD</b>
Group Pensions	11.00 years after ECD	11.00 years after ECD	NRA
Individual (executive) Pensions	10.00 years after ECD (ECD = Age 60)	3.50 years after ECD (ECD = NRA)	2012 = NRA 2013 = 60
Personal Pensions (non-DSS)	13.25 years after ECD	13.25 years after ECD	55
Personal Pensions (DSS)	7.50 years after ECD	7.50 years after ECD	60
Retirement Annuities	10.50 years after ECD	11.50 years after ECD	60

Group final salary benefits are assumed to terminate in 1.5 years.

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## REGULATORY VALUATION REPORT

Income drawdown policies are assumed to terminate immediately.

For group money purchase schemes, where individual member data is not required, the term to retirement is assumed to be the same as the average derived from all other group money purchase schemes.

For life policies where there is a range of potential contractual termination dates, the following assumptions are used:

Personal Investment Plans: next contractual withdrawal date.

Bonds: next contractual withdrawal date.

School Fee Trust Plans are assumed to terminate immediately.

### *Unit-Linked*

Underlying rates based on experience of contractual terminations have been used.

### *Non-Profit*

Contractual terminations assumed.

- (10) There are no other material assumptions stated elsewhere.
- (11) The Society does hold derivative contracts but none were used to justify the valuation rate of interest.
- (12) The valuation methodology was changed to allow negative reserves at policy level for non-profit protection business. The resulting reserves were then limited to a minimum of zero at homogeneous risk group level. The estimated effect of this change is a reduction in mathematical reserves of £0.9m.

### **Options and guarantees**

#### 5. (1) Guaranteed annuity rate options

(a) The method used is a deterministic one. The basic reserve represents the value of the cash benefit.

For Accumulating class, the extra reserve for the guarantee is the value of the guaranteed annuity less the value of the cash benefit (subject to a minimum of zero).

For Deferred Annuities, Endowments and German Deferred Annuities the extra reserve for the guarantee is calculated as

$(\text{Guaranteed Annuity Rate} / \text{Valuation Annuity rate} - 1) \times \text{basic reserve}$   
(subject to a minimum of zero)

All classes have an additional contingency margin of 70%.

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## REGULATORY VALUATION REPORT

(b)

Product name	Deferred annuity	Accumulating class	Endowments	German Deferred Annuity
Basic reserve	£0.7m	£3.7m	£0.9m	£4.2m
Spread of outstanding durations	0 to 17 years	0 to 10 years	0 to 20 years	0 to 37 years
Guarantee reserve	£0.9m	£2.9m	£1.2m	£2.8m
Guaranteed annuity rate (male aged 65)	9.92%	9.92%	9.92%	6.94%
Increments permissible?	No	Yes	No	Yes
Form of annuity	Half yearly, in arrear, level, single life, no guarantee period	Half yearly, in arrear, level, single life, no guarantee period	Half yearly, in arrear, level, single life, no guarantee period	Monthly, in advance, level, single life, no guarantee period
Retirement ages	60 to 70	60 to 70	60 to 70	50 to 75

(2) Options which guarantee surrender values at specified dates are automatically valued as a result of the persistency assumption set out in paragraph 4(9).

(3) Guaranteed Insurability options

(a) Under some UK bonds the death benefit is 105% or 110% of the fund value. Due to the low level of new premiums, the low level of sum assured at risk and the prudent persistency assumption no extra reserve is held.

All Flexible Protection Plans issued on normal terms carry the option to effect further policies without evidence of health. Broadly, the option allows the life cover to be increased at intervals, by effecting further policies, in line with increases in the Retail Prices Index. Due to the low level of increases permitted and the reviewable and prudent nature of the mortality charges, no extra reserve is held.

Prior to 15 August 1986 an option to effect further policies without evidence of health could be included on the Society's standard whole life and endowment assurances in the life fund. Due to the non-guaranteed and prudent premium basis for new policies, no extra reserve is held.

Mortgage protection policies and endowment assurances with guaranteed minimum death benefit, where used as collateral security in respect of a house purchase loan carry the option to effect further policies or increase the death benefit on existing policies when an additional loan is effected or the terms of a loan are changed. Due to the size of this policy class, the conditional nature of the option and the prudent, non-guaranteed new policy premium bases, no extra reserve is held.

(b) Individually and in aggregate the sums assured of the policy classes listed above do not exceed £1bn.

(4) Guaranteed minimum pensions and guaranteed interest rates are valued as described in paragraph 4(1).

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Expense reserves

6. (1) The aggregate amount of expense loadings expected to arise during the 12 months following the valuation date from explicit reserves made is £46.6m.

Homogeneous risk group	Implicit allowances (£m)	Explicit allowances (maintenance - investment) (£m)	Explicit allowances (maintenance - other) (£m)	Non-attributable expenses (maintenance – investment and other) (£m)	Non-attributable expenses (exceptional) (£m)	Total (£m)
UK Life	n/a	0.0	0.8	0.8	0.4	2.0
UK Pensions	n/a	4.5	7.4	19.1	11.9	42.9
Overseas	n/a	0.0	0.4	0.8	0.5	1.7
Total	n/a	4.5	8.6	20.7	12.8	46.6

The non-attributable expense is made up of £20.7m maintenance expenses and £12.8m exceptional expenses. Total maintenance expense loadings in 2014 are £33.8m.

- (2) There are no implicit allowances. All expense assumptions and reserves are calculated explicitly.
- (3) The difference of the amount of maintenance expenses (investment and other) from the maintenance expenses in 2013 shown in line 14 on Form 43 is due to reductions in the long-term maintenance expense budget offset by the 10% contingency margin in the valuation on non-investment maintenance expenses.
- (4) The Society is closed to new business.
- (5) The reserving basis already incorporates factors reflecting the closed nature of the fund.
- (6) An exceptional expense reserve of £17.1m covers short term exceptional costs and is attributed to homogeneous risks groups in proportion to overall reserves. These costs are principally strategic business projects. A non-attributable regular expense reserve of £426.7m covers the regular expenses that exceed the explicit per policy expense allowance and is split between homogeneous risks groups in proportion to overall reserves. This provision is calculated as the net present value at a real interest rate of -0.45% of the projected budget (other than that element attributed to policies) which reduces at a rate related to the projected run off of the business.

### Mismatching reserves

7. (1) There is just one with-profits fund which contains all the non-profit, index-linked and non-sterling liabilities. The total mathematical reserves (other than liabilities for property-linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the total value of the assets, analysed by reference to currency, which match the total liabilities are tabulated below:

Currency	Mathematical Reserves (£000,000)	Assets (£000,000)
Sterling	4954	5467
Euro	154	178
US Dollar	1	29

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (2) Not applicable.
- (3) No mismatching reserve is required.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.
- (7) No additional reserves are required arising from the tests on assets in INSPRU 1.1.34R.

The cash flows emerging from benefits and expenses from non-profit, index-linked and with-profits in force business have been considered. Index linked assets can be allocated to expenses such that the cash flows emerging from those assets are practically sufficient to match those from the expected expenses. Fixed interest assets can be allocated to non-profit business such that the cash flows emerging from those assets match closely those from the non-profit in force benefits. Index linked assets can be allocated to index linked business such that the cash flows emerging from those assets match broadly those from the index-linked in force benefits. The remaining assets are allocated to with-profits business. Taking into account the nature and the term of this business, it is envisaged that there will be no future liquidity problems in a wide range of investment scenarios. A significant proportion of the fund is held in British Government securities to allow for uncertainties of cash flows given the flexibility of the policies.

### Other special reserves

8. (1) UK Accumulating With-Profits Pensions - Additional Reserves UWP

This reserve of £518.4m represents unattributable expenses, exceptional expenses, investment expense on unallocated funds and the potential cost of maintaining the current with-profits non-contractual termination terms. Descriptions of each of the principal elements of this reserve are detailed below.

Where appropriate, the assumptions used to determine this reserve are consistent with those assumptions defined in earlier section of this appendix. Those assumptions are combined with past experience to determine anticipated payments for the various components of the reserve. The likelihood of a payment being made has been based on past experience and expert advice (where appropriate).

- Unattributable Regular Expenses

A provision is held for the regular administration costs of the Society in excess of the per policy loadings. This provision is calculated as the net present value of the projected budget (other than that element attributed to policies) which reduces at a rate related to the projected run off of the business.

- Exceptional Expenses

A provision is held for anticipated additional expenses over future years, including anticipated additional costs associated with servicing policies in the short term and non-recurring project costs.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- Investment Expenses

An allowance for anticipated fund management expenses that are not covered in individual policy reserves elsewhere is included in this reserve.

- Non Contractual Withdrawals

The reserve also includes an allowance for potential surrenders where the "surrender value" exceeds the "normal reserve" (as described in 4 (1) above).

(2) UK Non-Linked Pension (Other than Accumulating With-Profits) - Additional Reserves With-Profits OB

This reserve of £24.2m is the allowance made for unattributable expenses and exceptional expenses.

(3) UK Accumulating With-Profits Life - Additional Reserves UWP

This reserve of £15.9m represents unattributable expenses and the potential cost of maintaining the current with-profits non-contractual termination terms as detailed in section 4 (1) above.

(4) UK Non-Linked Life (Other than Accumulating With-Profits) – Additional Reserves With-Profits OB

This reserve of £3.8m is the allowance made for the potential cost of maintaining the current with-profits non-contractual termination terms as detailed in section 4 (1) above and unattributable expenses.

(5) Non UK Non-Linked Accumulating With-Profits – Additional Reserves UWP

This reserve of £6.1m is the allowance made for mis-selling claims against the Society and unattributable expenses.

(6) Non UK Non-Linked (Other than Accumulating With-Profits) - Additional Reserves With-Profits OB

This reserve of £10.6m is the allowance made for unattributable expenses.

### Reinsurance details

9. (1) All reinsurance ceded on a facultative basis is with reinsurers who are authorised to carry on insurance business in the United Kingdom.
- (2) (i) (d) The reinsurer is Halifax Life Limited.
- (e) The reinsurer automatically provides cover in respect of 100% of the liabilities under all linked and non-profit policies, with the exception of immediate annuities in payment other than those arising from deferred annuity policies after 1 March 2001.
- (f) The premium payable since the last investigation was £46.45m.
- (g) There is no deposit-back arrangement.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (h) The treaty is open to new business.
  - (i) There is no undischarged obligation of the insurer.
  - (j) £2,312m of mathematical reserves were ceded under the treaty.
  - (k) There is nil retention by the insurer for new policies being ceded.
  - (l) The reinsurer is authorised to carry out insurance business in the United Kingdom.
  - (m) The Society and the reinsurer are not connected.
  - (n) The treaty is not subject to any material contingencies.
  - (o) Not applicable.
  - (p) There were no financing arrangements in force at 31 December 2013.
- (ii)
- (d) The reinsurer is Clerical Medical Investment Group Limited (CMIG).
  - (e) The reinsurer automatically provides 100% of the liabilities in respect of units purchased in CMIG With-Profits fund which are available as an investment option for members of certain group pension schemes.
  - (f) The premium payable since the last investigation was £0.48m.
  - (g) There is no deposit back arrangement.
  - (h) The treaty is open to new business.
  - (i) There is no undischarged obligation of the insurer.
  - (j) £18m of mathematical reserves were ceded under the treaty.
  - (k) There is nil retention by the insurer for new policies being ceded.
  - (l) The reinsurer is authorised to carry out business in the United Kingdom.
  - (m) The Society and the reinsurer are not connected.
  - (n) The treaty is not subject to any material contingencies.
  - (o) Not applicable.
  - (p) There were no financing arrangements in force at 31 December 2013.



# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (iii) (d) The reinsurer is Clerical Medical Managed Funds Limited (CMMF).
- (e) The reinsurer automatically provides 100% of the liabilities in respect of units purchased in CMMF funds which are available as an investment option for members of certain group pension schemes.
- (f) The premium payable since the last investigation was £0.14m.
- (g) There is no deposit back arrangement.
- (h) The treaty is open to new business.
- (i) There is no undischarged obligation of the insurer.
- (j) £23m of mathematical reserves were ceded under the treaty.
- (k) There is nil retention by the insurer for new policies being ceded.
- (l) The reinsurer is authorised to carry out business in the United Kingdom.
- (m) The Society and the reinsurer are not connected.
- (n) The treaty is not subject to any material contingencies.
- (o) Not applicable.
- (p) There were no financing arrangements in force at 31 December 2013.

### Reversionary bonus

10. Reversionary bonus has not been declared on classes of business where the mathematical reserves exceed the lesser of £10m and 1% of the total.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### Introduction

1. (1) The date of the valuation was 31 December 2013.
- (2) The date of the previous valuation was 31 December 2012.

The Society has only one with-profits fund. Each of the following sections refers to that fund.

### Assets

2. (1) With the exception of some annuity contracts, the Society's non-profit business is wholly reinsured. The economic assumptions used to determine the value of future profits arising from the non-profit insurance contracts that are not reinsured were:

#### Level and fixed escalation annuities

	<b>Current Valuation</b>	<b>Previous Valuation</b>
Earned rate of interest on non-profit assets (gross)	3.37%	2.73%
Discount rate applied to future cash flows	5.87%	5.23%
Per policy expense rate pa	£10.00 p.a.	£10.00 p.a.
Expense inflation rate pa	3.50%	3.10%

The expense inflation rate shown is based on RPI inflation of 3.50% p.a. (previous valuation 3.10% p.a.).

#### Index-linked annuities

	<b>Current Valuation</b>	<b>Previous Valuation</b>
Earned real rate of interest on index-linked assets (gross)	(0.22)%	(0.63)%
Real discount rate applied to future cash flows	2.28%	1.87%
Per policy expense rate pa	£10.00 p.a.	£10.00 p.a.
Real expense inflation rate pa	0.00%	0.00%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### Mortality bases

	<b>Current Valuation</b>	<b>Previous Valuation</b>
Pensions annuities:		
- male lives	80% PNML00 cmi 2011 (U=2013) *	80% PNML00cmi2011 (U=2012) *
- female lives	70% PNFL00 cmi 2011 (U=2013) *	70% PNFL00cmi2011 (U=2012) *
BLAGAB annuities:		
- male lives	75% IML00 cmi 2011 (U=2013) *	75% IML00 cmi 2011 (U=2012) *
- female lives	77.5% IFL00 cmi 2011 (U=2013) *	77.5% IFL00 cmi 2011 (U=2012) *

\* the allowance for mortality improvements is based on the CMI 2011 improvements model with a long-term rate of improvement of 1.5% pa for males and 1.25% pa for females

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

### With-Profits Benefits Reserve Liabilities

3. (1) The following table shows the valuation method used to calculate the realistic liabilities for the various product types together with the with-profits benefit reserve and future policy related liabilities.

<b>Product type</b>	<b>Valuation Method</b>	<b>With-Profits Benefit Reserve £m</b>	<b>Future Policy Related Liabilities £m</b>
Conventional with-profits	P	54	(2)
Life RSP contract	R	72	(1)
Flexible Protection Plans	R	15	(4)
Pensions RSP (3.5% GIR)	R	2,428	645
Pensions RSP (0% GIR)	R	587	(38)
<b>Total for these products</b>		<b>3,156</b>	<b>600</b>
Aggregate de minimis contracts		12	(0)
<b>Grand total</b>		<b>3,168</b>	<b>600</b>

R=Retrospective Method, P=Prospective Method

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

The Future Policy Related liabilities are based on the future cost of contractual guarantees (line 41 of Form 19), less the future value of charges for capital and cost of guarantees of 1.0% p.a. (as described in section 4.(4)) to be taken from investment returns (line 35 of Form 19) and the future value of profits on surrender (line 36 of Form 19).

The excess of the realistic estimate of future expenses (including an allowance for diseconomies of scale) over the future value of charges of 1.0% p.a. (as described in section 4.(3)) to be taken from investment returns is included in other long-term insurance liabilities (line 47 of Form 19).

- (2) Not applicable.
- (3) With-profits insurance contracts with total with-profits benefit reserves of £12m and future policy related liabilities of less than £1m were not modelled explicitly. To allow for these contracts the explicitly modelled liabilities were scaled up using the ratio of total regulatory reserves including these contracts to the total regulatory reserves excluding these contracts.
- (4) Not applicable.

### **With-profits benefit reserves – Retrospective method**

- 4. (1) (a) The methodology is unchanged from the previous year end. For all the Recurrent Single Premium business valued on a retrospective basis, 100% of the with-profits benefit reserve was calculated on an individual basis.

For Recurrent Single Premium business, Policy Values have been established as a proxy for asset shares (and hence the with-profits benefit reserve).

- (b) None.
- (c) Not applicable.
- (2) (a) None.
- (b) Not applicable.
- (3) (a) The date of the previous expense investigation was 31 December 2012.
- (b) Expense investigations are carried out every 12 months, and updated at regular intervals. The numbers in this section relate to the 12 months to 31 December 2013.
- (c) (i) There were no initial expenses identified relating to the issue of new policies where the policyholder has a contractual right to take out a new policy. There were no other initial expenses.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (ii) A charge of 1% pa of the with-profits benefit reserve (amounting to approximately £33m) was made in respect of maintenance expenses that relate to the servicing, claims handling and management of the business.
  - (iii) expenses are charged to the with-profits benefits reserve by way of an expense charge of 1% pa deducted from all contracts. The expense charge is expected to remain at 1% pa.
  - (iv) £29m of expenses were categorised as exceptional expenses. These expenses are charged against specific provisions held on the balance sheet. In addition, £16m relating to the settlement of the Staff Pension Scheme commitment was categorised as exceptional expenses.
- (4) A charge of 1% p.a. (2012: 1.0% p.a.) of Policy Values (the “charge for capital and cost of guarantees”) has been taken to make some allowance for the cost of guarantees incurred and to act as a buffer against risk and adverse experience.
- (5) Not applicable
- (6) The claims paid during the year comprised maturity values (being the higher of Policy Values plus distribution of solvency capital and the guaranteed benefit) and surrender values (being Policy Values plus distribution of solvency capital reduced by the financial adjustment, which, for UK policies, was 5% p.a. throughout 2013). The ratio of maturity claims to the corresponding Policy Values over the year prior to the valuation date was 112.5% (although more would have been paid out for cases where the guarantee was higher). The corresponding ratio for surrenders/transfers was 106.9%. The same ratios applied from 1 April 2011 to 31 December 2012.

The corresponding figures for maturities and surrenders/transfers during the first three months of 2011 were 100% and 95% respectively.

- (7) The investment return earned over the period from 31 December 2012 to 31 December 2013 was -2.0% (2012: 5.6%) before tax and expenses. There has been an increase of 2% p.a. in the with-profits benefit reserve for the period from 31 December 2012 to 31 December 2013 (2012: 2%) for with-profits recurrent single premium pension policies.

### **With-profits benefits reserve – Prospective method**

5. (1) For conventional with-profits business (whole of life and endowments) the key assumptions used in the prospective method of calculating the with-profits benefits reserve were:
- (a) The discount rate applied to future benefits and premiums was 2.00% per annum (2012: 1.25% per annum). This is based on a risk free rate of 2.7%, netted down for tax and rounded down.
  - (b) Not applicable.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (c) No assumption for future inflation of expenses is required in this methodology.
- (d) Future reversionary bonuses are assumed to be zero. The following table of final bonus rates was used to calculate the policy values at the valuation date.

Elapsed Term - Yrs	Final Bonus Rate %
0	0
1	0
2	0
3	1
4	2
5	3
6	4
7	4
8	5
9	5
10	5
11	5
12	5
13	5
14	5
15	5
16	5
17	5
18	5
19	5
20	5
21	5
22	5
23	5
24	5
25	5
26	5
27	5
28	5
29	5
30	7
31	12
32	21
33	28
34	35
35	39
36	42
37	48
38	64
39	70
40	77
41	82
42	85

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

Elapsed Term - Yrs	Final Bonus Rate %
43	89
44	93
45	97
46	102
47	106
48	111
49	115
50 and over	120

- (e) Expenses are implicitly allowed for in the premiums valued.
  - (f) No allowance for surrenders was made.
- (2) The methods in (1) involve only one set of key assumptions.

### Costs of guarantees, options and smoothing

6. (1) Not applicable
- (2) The methodology and assumptions are unchanged from the previous valuation.

All the with-profits insurance contracts mentioned in 3.1 were valued using a market consistent stochastic model. All the contracts were grouped according to the following grouping rules:

Recurrent Single Premium – these contracts were grouped by outstanding term, ratio of final bonus to policy value (in 2% bands) and by the level of guaranteed interest rate (3.5% or 0% per annum).

For with-profits UK transfer plans and miscellaneous deferred annuities, a number of contracts have a Guaranteed Minimum Pension (GMP) underpin. These contracts also have the guarantees common to all Recurrent Single Premium business described above. For these policies the average cost of buying out the re-valued GMP annuity benefit at State Pension Age (SPA) was calculated based on 500 simulations using the mortality basis for non-profit annuities set out section 2.(1) above and risk-free yields for 10 year Zero Coupon Bonds at SPA. Allowance was also made for expenses in payment including diseconomies of scale between the valuation date and SPA.

Conventional Endowments – these contracts were grouped by original term and then by outstanding term.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

Numbers of benefits before and after applying grouping rules:

Product type	Benefits	Model Points
Conventional with-profits	3,542	596
Life RSP contracts	9,704	146
FPPs	3,029	149
Pensions RSP 3.5%	510,239	5,362
Pensions RSP 0%	169,525	4,084
<b>Total</b>	<b>696,039</b>	<b>10,337</b>

The grouping bases were reviewed during the 2013 year-end valuation. In reviewing the grouping basis for each contract type, tests were done using year-end data with higher numbers of groups modelled. The value of the guarantee costs did not materially change.

- (3) Not applicable.
- (4) (a) (i) The methodology is unchanged from the previous valuation.

For Recurrent Single Premium business there is a guarantee that the death benefit and the maturity benefit will not be less than the amount of the guaranteed fund plus any declared reversionary bonuses. The maturity guarantee applies where the policyholder retires on or after the Earliest Contractual Date (ECD) written into their policy. Most policies effected before 1 July 1996 have a guaranteed rate of interest of 3.5% credited to the guaranteed amounts each year.

For the purpose of determining when policyholders will exit on contractual terms, policies have been split into 2 categories -those that have not yet reached the ECD and those that have passed that date.

The assumed retirement ages in relation to the ECD are shown in the following table. The assumptions highlighted have changed from those used in the previous valuation:

	Policyholders Before ECD (years)	Policyholders on or after ECD (years)	Original ECD
Group Pensions	0	11	NRA
Individual ("executive") Pensions	5	10	60
Personal Pensions (non-DSS)	10	13	55
Personal Pensions (DSS)	5	7	60
Retirement Annuities	7	10	60

where NRA = Normal Retirement Age



# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

The retirement assumptions for Individual Pensions are now set using an ECD of age 60 rather than the normal retirement age specified in the contract.

Policyholders already past the assumed retirement age were assumed to retire immediately. This assumption is unchanged from the previous valuation.

Managed Pension policies were assumed to mature evenly over the 3 year period beginning at the valuation date. This assumption is unchanged from the previous valuation.

For endowment assurances there is a guarantee that the amount payable on death and the maturity value will not be less than the sum assured and any declared reversionary bonuses.

For some with-profits UK transfer plans and miscellaneous deferred annuities there is a Guaranteed Minimum Pension (GMP) at State Pension Age (see section 6.(2) above).

A small set of policies has guaranteed annuity options for which a provision of £5m is held. The provision was calculated deterministically, and increased by c70% to allow for stochastic variation.

For contracts other than conventional with-profits, the extent to which policy values exceeded guaranteed values at the valuation date, banded into percentages of policy values, is shown in the following table:

<b>% In / Out of money*</b>	<b>Policy values (£m)</b>	<b>Percentage</b>
-49% to -30%	430	14%
-29% to -20%	558	18%
-19% to -15%	574	18%
-14% to -10%	365	12%
-9% to -5%	238	8%
-4% to 0%	109	4%
1% to 5%	105	3%
6% to 10%	137	4%
11% to 15%	228	7%
16% to 20%	149	5%
21% to 30%	154	5%
31% to 50%	60	2%
51% to 100%	2	0%
<b>Total</b>	<b>3,109</b>	<b>100%</b>

\* Negative values indicate contracts currently “in the money” (i.e. where the current guaranteed fund exceeds the current policy value – this may change by maturity). The figures shown are percentages of policy value.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (a) (ii) The asset model used in the valuation is the Barrie & Hibbert Economic Scenario Generator.

Nominal short-term interest rates are assumed to follow a LIBOR Market Model with semi-annual timesteps. The risk-free curve has been fitted to the gilt curve, and the volatility of interest rates has been calibrated to the implied volatility of swaption prices.

In the Realistic Balance Sheet, liabilities are discounted at 0.01% above calibrated risk-free rates. This adjustment reflects the yields available on the risk-free assets held to back with-profits liabilities relative to yields implied by the calibrated yield curve. It also reflects the proportion of such assets. The adjustment made at the previous valuation was 0.02%.

The model for real short-term rates is similar in structure.

Price inflation is modelled as the difference between the nominal and real short-term rates.

Credit risk on corporate bonds is modelled using Barrie and Hibbert's credit model, which is an extension of the Jarrow-Landow-Turnbull model.

For equities and properties, the ratios of total return in excess of the nominal short-term interest rate are assumed to be lognormally distributed with equity volatility varying by term, and a constant volatility assumption for property.

The volatility assumptions for the major classes of asset are chosen to be consistent with option market prices where available.

Barrie & Hibbert supply recommended parameters for use at each valuation, which are analysed before acceptance and use.

For the Realistic Balance Sheet, a risk-neutral set of parameters has been calibrated to be market-consistent. Barrie & Hibbert conduct a survey of OTC (over the counter) derivative price quotes from investment banks every quarter. These prices are used to update the market consistent calibrations every quarter.

At 31 December 2013, equity volatility is assumed to be as shown below, calibrated to implied volatilities on at-the-money FTSE 100 options varying by term as follows:

<b>Term</b>	<b>Implied Volatility</b>
1 year	14.3%
2 years	16.0%
3 years	17.0%
5 years	18.9%
7 years	20.5%
10 years	22.1%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

Over longer terms the excess volatility tends to 26.7%. This is Barrie & Hibbert's best estimate of long term excess volatility from their research.

Property volatility is assumed to be 15%. This is based on Barrie & Hibbert's best estimate from their research. Property Unit Trusts (PUTs) are modelled as property.

Swaption volatilities implied by the calibration vary by term and duration with those obtained from market data. The fitting method is least squares over the swaption volatility surface with additional weight applied to options on 20 year swaps. The swaption volatilities from the Barrie & Hibbert ESG are shown in the following table. The volatilities shown are for at-the-money swaptions.

Option Term (years)	Swap Term (years)				
	1	5	10	20	30
5	30.2%	23.1%	19.9%	18.1%	17.0%
10	19.5%	17.3%	16.3%	15.5%	14.9%
15	17.8%	16.5%	15.4%	14.2%	13.4%
20	18.0%	16.3%	15.1%	13.5%	12.4%
25	17.5%	16.2%	14.9%	13.2%	11.8%

### Correlations

Barrie & Hibbert also specified a correlation matrix. The risk-neutral correlations between equities and bonds and equities and short-term interest rates were derived from an analysis of historical data.

Key correlations are:

Equities / Government Bonds	+17%
Equities / Short Term Interest Rates	-10%
Equities / Property	+35%
Property / Government Bonds	+10%
Property / Short Term Interest Rates	-10%

These correlations are based on excess returns over cash rather than total returns

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

(a) (iii)

		Asset type (all UK assets)	K=0.75			
n			5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	1.98%	3.68%	3.82%	3.76%
1		Risk-free zero coupon bond	906,667	581,193	391,669	275,214
2		FTSE All Share Index (p=1)	54,699	200,799	304,821	383,697
3		FTSE All Share Index (p=0.8)	50,231	159,585	223,826	263,882
4		Property (p=1)	31,368	108,404	175,855	233,117
5		Property (p=0.8)	27,929	77,206	112,697	138,349
6		15 year risk free zero coupon bonds (p=1)	15,935	12,476	10,381	21,020
7		15 year risk free zero coupon bonds (p=0.8)	14,256	7,143	3,116	2,983
8		15 year corporate bonds (p=1)	1,045	5,152	25,373	60,977
9		15 year corporate bonds (p=0.8)	796	1,715	6,505	15,267
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	31,198	137,066	221,540	290,561
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	27,898	102,745	151,815	185,330
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	21,836	101,330	172,911	233,992
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	19,130	71,688	111,483	141,001
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,625	55,651	110,291	161,066
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,174	34,042	60,861	83,259
			<b>L=15</b>			
16		Receiver swaption	14.83%	10.47%	8.08%	5.85%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

	Asset type (all UK assets)	K=1			
n		5	15	25	35
r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	x	x	x	x
1	Risk-free zero coupon bond	x	x	x	x
2	FTSE All Share Index (p=1)	168,890	357,247	480,663	575,427
3	FTSE All Share Index (p=0.8)	157,698	290,317	359,926	402,560
4	Property (p=1)	132,956	243,109	328,485	400,264
5	Property (p=0.8)	122,209	183,064	221,630	248,820
6	15 year risk free zero coupon bonds (p=1)	78,860	66,271	83,351	126,966
7	15 year risk free zero coupon bonds (p=0.8)	70,790	35,092	22,058	27,111
8	15 year corporate bonds (p=1)	42,861	71,162	135,926	196,117
9	15 year corporate bonds (p=0.8)	34,655	28,847	50,205	71,392
10	Portfolio of 65% FTSE All Share and 35% Property (p=1)	132,328	279,292	383,233	467,740
11	Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	121,653	216,599	271,056	307,654
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	114,442	231,479	321,704	397,845
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	104,195	172,952	217,620	249,333
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	84,740	169,534	244,355	311,038
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	74,857	115,626	148,848	174,598
		<b>L=20</b>			
16	Receiver swaption	17.89%	12.66%	9.80%	7.07%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

		Asset type (all UK assets)	K=1.5			
	n		5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	x	x	x	x
1		Risk-free zero coupon bond	x	x	x	x
2		FTSE All Share Index (p=1)	547,939	735,862	875,276	990,698
3		FTSE All Share Index (p=0.8)	522,736	613,885	670,504	707,400
4		Property (p=1)	522,022	618,433	709,074	791,837
5		Property (p=0.8)	495,692	493,563	507,318	521,907
6		15 year risk free zero coupon bonds (p=1)	489,789	479,965	489,614	523,043
7		15 year risk free zero coupon bonds (p=0.8)	460,910	330,171	261,007	239,414
8		15 year corporate bonds (p=1)	500,341	504,187	541,036	596,215
9		15 year corporate bonds (p=0.8)	471,458	356,490	319,058	314,464
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	523,345	652,239	765,531	865,684
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	497,065	530,101	564,639	592,411
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	507,824	598,291	691,681	781,305
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	481,056	475,768	495,253	516,890
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	498,085	542,457	611,994	688,156
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	470,066	415,254	414,272	425,844
			<b>L=25</b>			
16		Receiver swaption	20.33%	14.41%	11.18%	7.97%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (a) (iv) The initial net yields on equities and property were taken as 3.5% and 4.3% respectively.
- (a) (v) Not applicable
- (a) (vi) For contracts other than conventional with-profits, the distribution of contracts that currently have guaranteed values greater or less than policy values is shown in the following table:

<b>Guaranteed values greater than policy values</b>		
<b>Outstanding Term</b>	<b>Policy Value (£m)</b>	<b>Percentage</b>
20 to 40 Years	142	6%
10 to 20 Years	1,066	47%
5 to 10 Years	682	30%
0 to 5 Years	385	17%
Whole Life*	0	0%
Total	2,275	100%

<b>Guaranteed values less than policy values</b>		
<b>Outstanding Term</b>	<b>Policy Value (£m)</b>	<b>Percentage</b>
20 to 40 Years	106	13%
10 to 20 Years	279	33%
5 to 10 Years	216	26%
0 to 5 Years	233	28%
Whole Life*	0	0%
Total	834	100%

\* A small number of Recurrent Single Premium life policies (Critical Illness and Major Medical Plans) are written as whole of life policies.

The asset model has been calibrated to UK Government Bonds using Gilt Strips for a range of terms.

The model is calibrated to implied volatilities. The asset model produces:

- An equity implied volatility of 22.0% over ten years for the total return index. For comparison, the implied volatility of a ten-year at-the-money equity capital return index put option used for calibrating the model was 22.1%.
- Property volatility over ten years of 15.4% p.a. For comparison, the implied volatility assumption used for calibrating the model was 15.0%.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- Zero coupon bond volatilities varying by outstanding term to redemption as follows:

<b>Term (years)</b>	<b>Average expected volatility over next 20 years (%)</b>
1	3.1%
5	5.0%
10	8.8%
15	12.0%
20	14.8%
25	17.1%

- Average correlations between asset classes as follows:
  - Total equity return and 10 year bond return: 18.5%
  - Total equity return and short term interest rates: -13.8%
  - Total equity return and property return: 34.8%
  - Property return and 10 year bond return: 11.4%
  - Property return and 10 year IL bond return: -7.5%

These correlations are based on excess returns over cash rather than total returns.

Correlations with bonds of shorter and longer terms were similar to those shown above.

- (a) (vii) The risk-free rate implied by the economic scenarios is compared against the calibrated risk free rate.

Checks were also made to ensure that the present value of future income, gains and losses on bonds, property and equities equal the starting market values of the assets.

- (a) (viii) The results are based on 5000 simulations. Results based on batches of 500 simulations show that increasing the number of simulations increases the accuracy of the results based on the assumptions used.
- (b) Not applicable.
- (c) Not applicable.
- (5) (a) In the projection of assets and liabilities it has been assumed that Policy Values (and hence the with-profits benefit reserve) would be changed in line with the change to the market value of assets. Any residual excess of assets over liabilities would be distributed over the lifetime of the existing business, but this has not been allowed for. In Form 19, any residual excess of assets over liabilities would be included under planned enhancements to with-profits benefits reserve (line 34) such that the working capital is zero.



# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

In the projection of assets, and in line with planned investment strategy, it is also assumed that the fund is rebalanced at the end of each year to a year dependent target asset mix. The initial asset mix and the target asset mix in future years are shown in the table below:

Asset Type	Initial asset mix	31/12/14	31/12/16 and all future years
Gilts	38.25%	38.25%	38.25%
Corporate Bonds	34%	34%	34%
Cash	27%	27.25%	27.75%
Property	0%	0%	0%
Equity	0.75%	0.5%	0 %

The corresponding assumptions at the previous valuation are shown in the table below:

Asset Type	31/12/12	31/12/13	31/12/14 and all future years
Gilts	44%	44%	44%
Corporate Bonds	33%	33%	33%
Cash	19%	22.5%	23%
Property	3%	0%	0%
Equity	1%	0.5%	0%

At the previous valuation, in the projection of assets and liabilities, an allowance was made for the impact of changes in market conditions on the liabilities relating to the Staff Pension Scheme. In practice, this would have affected the return available to be passed on to policyholders via changes in Policy Values. To allow for the impact of equity exposure, the modelled equity proportion was increased by 4%. No adjustment has been made to the future asset mix at the valuation date as a result of the settlement of Staff Pension Scheme liabilities in 2013.

At the previous valuation, the Society held index-linked Gilts to mitigate the impact of changes in real yields on the liabilities relating to the Staff Pension Scheme. These assets did not affect the return passed onto policyholders as they mitigated the pension scheme liabilities. For this reason, they were included in the Cash proportion. These assets were sold following the settlement of the Staff Pension Scheme liabilities in 2013.

- (b) The future assumed proportion of assets backing the with-profits benefit reserve which consists of equities is:

	31/12/2013	31/12/2018	31/12/2023
(i) Base scenario	0.8%	0%	0%
(ii) Yields increase by 17.5%	0.7%	0%	0%
(iii) Yields reduce by 17.5%	0.6%	0%	0%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

A further 0.1% of assets were invested in Property Unit Trusts and a further 0.1% of assets were directly invested in property at the current valuation. It is assumed that, by the end of 2014, the proportion of properties held will fall to 0%.

As described in section 10(b)(i), the assumed asset mix to which the fund is rebalanced each year is changed in stress scenarios. The initial investment mix described in section 6(5)(a) is replaced by the initial asset mix immediately following application of the stress in the stress scenario being considered. The phased reduction of equity and property assets would still apply. The resulting percentages, as shown in the table above, are maintained over time through rebalancing the portfolio as required.

Future declared reversionary bonus rates are assumed to be zero throughout the projection period (unchanged from previous year end).

- (6) Policyholders are assumed to take benefits on non-contractual terms at the following rates. The assumptions highlighted have changed from those used at the previous valuation:

Product	Type of Withdrawal	Rate			
		Initial Rate		Ultimate Rate	
		Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
Group AVC	surrender	2.0%	2.5%	1.5%	1.5%
Group Money Purchase	surrender	2.0%	2.5%	1.5%	1.5%
Individual ("executive") Pensions	surrender	2.0%	2.0%	1.5%	1.5%
Personal Pensions (non-DSS)	surrender	2.0%	2.0%	1.5%	1.5%
Personal Pensions (DSS)	surrender	1.5%	1.5%	1.5%	1.5%
Retirement Annuities	surrender	1.5%	2.0%	1.5%	1.5%
Life Business	surrender	2.0%	2.0%	1.5%	1.5%
Single premium bonds	automatic withdrawals	5.0%	5.0%	5.0%	5.0%

The non-contractual termination assumptions do not vary by policy year. They vary by duration from the valuation date. The assumed rate in the year following the valuation is the "Initial Rate" in the table above. Thereafter, the surrender rate is assumed to reduce by 0.5% each year until it reaches the "Ultimate Rate" in the table above.

The paid-up assumptions were that no further contributions would be made to policies, except where contractually required to maintain the policy.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

For Recurrent Single Premium life policies it was assumed that, with the exception of the surrenders described above, all policyholders would take their benefits at their 10<sup>th</sup> anniversary dates (or, where policies have been extended, the next date at which any benefit could be taken on contractual terms).

For Conventional with-profits policies it was assumed that, with the exception of the surrenders described above, all policyholders would take benefits on the date their policies mature.

- (7) It was assumed that policyholders would make no further contributions to policies, except where contractually required to maintain the policy. Surrender rates are assumed not to vary by economic scenario. It was assumed that there would be no changes to retirement behaviour in low interest rate scenarios.

### Financing Costs

7. Not applicable.

### Other long-term insurance liabilities

8. The total provision of £222.6m is composed of the following elements:

	<b>£m</b>
Regular expenses	200.7
Exceptional expenses	20.9
Legal claims	1.0
Total other long-term insurance liabilities	222.6

A regular expenses provision of £200.7m has been established against potential higher future costs arising as the fund runs off. The aim is to be able to maintain a stable charge of 1% pa to with-profits policies for regular expenses.

The exceptional expenses provision of £20.9m includes costs of implementing changes in the administration IT systems provider and anticipated additional costs until the Society's cost base reaches the stable long-term state assumed in calculating the regular expenses provision.

The provision of £1m for legal claims is in respect of legal claims made in Germany against the Society.

### Realistic current liabilities

9. These liabilities include tax and social security creditors, other creditors arising out of direct insurance operations. The total realistic current liabilities of £67m are the same as the regulatory valuation current liabilities.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### Risk Capital Margin

10. (a) The Risk Capital Margin at 31 December 2013 was zero. This is a consequence of reducing the planned enhancements to policyholders as described in section 10(b)(i) below. The stress scenarios described below were tested:
- (i) The scenarios tested were rises and falls in the values of equities and property of 20% and 12.5% respectively. These percentages were applied to both UK and non-UK assets. The scenario where the market values of equities and property fell was the most onerous scenario.
  - (ii) The scenarios tested were a rise and fall of 17.5% of the long term gilt yield (being 60.36 basis points) for yields at all durations. The scenario where yields fall was the most onerous scenario prior the impact of management actions. The scenario where yields rise was the most onerous scenario after the impact of management actions.
  - (iii) (a) The credit risk scenario resulted in an average increase in the spread of about 64 basis points in respect of corporate bonds in the with-profits fund. The resultant fall in market values was approximately 5.1% of the total value of those bonds.
  - (b) Not applicable
  - (c) The credit risk event was not applied to the portfolio of business reassured with Lloyds Banking Group.
  - (d) Not applicable
  - (e) Not applicable
  - (iv) The overall increase in the realistic value of the liabilities as a result of applying the persistency stress was 0.6%.
  - (v) Not applicable
  - (b) (i) In the stress scenarios it has been assumed that when asset values fall at the start of the projection there will be an immediate reduction in policy values equal to the same percentage reduction. When asset values increase due to a fall in yields no further change in the policy values was assumed.

In the stress scenarios where yields rise it has been assumed that the charge for capital and cost of guarantees is increased from 1% to 1.25%. In the stress scenarios where yields fall it has been assumed that the charge for capital and cost of guarantees is increased from 1% to 1.5%.

In the stress scenarios the value of the swaptions changes. In the stress scenarios where yields rise the value of assets was reduced by the £7m fall in the value of the swaptions. In the stress scenarios where yields fall the swaptions increased in value by £11m. However, the value of assets was not adjusted as it was assumed that the increase would be exactly offset by the impact of RSP policyholders deferring their retirement plans.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

In the stress scenarios it is assumed that the target asset mix to which the fund is rebalanced at the end of each year, as described in section 6(5)(a), is changed with the fund instead being rebalanced each year to the actual asset mix immediately following application of the stresses.

- (ii) The reduction to policy values, changes to asset mix as described above and increase in charges described in section 10(b)(i) above reduces the RCM. The amount of the RCM calculated before and after these changes would be as follows:

<b>Stress scenario</b>	<b>Before</b>	<b>After</b>
-----	-----	-----
Yields rise	£100m	£12m
Yields fall	£118m	£62m

As described in section 6(5)(a), any residual excess of assets over liabilities would be included under planned enhancements to with-profits benefits reserve such that the Working Capital remains zero. Therefore the Risk Capital Margin is zero.

- (iii) Changing the asset mix in the stress scenarios, as described above, results in the equity backing ratios as shown in the table below.

	<b>31/12/2013</b>	<b>31/12/2018</b>	<b>31/12/2023</b>
Yields increase by 17.5% without management action	0.7%	0%	0%
Yields reduce by 17.5% without management action	0.6%	0%	0%
Yields increase by 17.5% with management action	0.7%	0%	0%
Yields reduce by 17.5% with management action	0.6%	0%	0%

There are assumed to be no future declared reversionary bonuses.

- (iv) The Society does not accumulate past experience of the cost of guarantees and charges. The future cost of guarantees is in excess of the value of future charges and this is also the case in the stress scenarios considered in the RCM. i.e. the requirements of INSPRU 1.3.188R would be met.
- (c) (i) No assets are required to cover the risk capital margin.
- (ii) Not applicable.

## 11. Tax

Tax is payable on an "I-E" basis for life business. The tax payable is deducted from future increases to policy values (or their equivalents).

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### 12. Derivatives

The Society holds a series of swaptions to partially mitigate the impact of RSP pensions policyholders deferring their retirement plans during periods of low interest rates. The strike rate of each swaption is in line with par yields at 31 December 2012. The expiry profile of the swaptions reflects current retirement assumptions. The total market value of the swaptions at 31 December 2013 was £43m.

The Society holds US Dollar forward exchange contracts to reduce its exposure to exchange rate movements. At 31 December 2013, the nominal amount of the contracts net of long positions was US \$46m (US \$72m at 31 December 2012).

### 13. Analysis of change in working capital

The movement in the Working Capital over the year has been analysed as follows:

Item	Effect (£m)
Add back opening zeroisation impact	587
Investment return on the opening working capital	-8
Mismatch profits and losses on assets backing the future policy related liabilities	179
Economic assumption changes	6
Other valuation assumption changes	30
Investment variance	-90
Demographic and expense variance	-7
Change in provisions and current liabilities	-7
Modelling changes	0
Other	1
Closing zeroisation impact	-691
Total change	0

### 14. Optional Disclosure

Not applicable

**RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**FINANCIAL YEAR END 31 DECEMBER 2013**

**ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.29**

- (a) All derivative transactions may only be entered into following prior approval by the Society's Executive Investment Committee, which operates within guidelines set by the Board. In all cases, use of derivative instruments is restricted to the purpose of managing exposure and reducing risk. No derivative contracts were entered into on a speculative basis.
- (b) There are no specific guidelines for the use of contracts not reasonably likely to be exercised. However, the Society's Board only allows the use of derivatives for the purpose of efficient portfolio management or to reduce risk.
- (c) The Society was not, at any time during the year, party to any contracts that were not, at the time the contracts were entered into, reasonably likely to be exercised.
- (d) The Society did not, at any time during the financial year, hold a derivative contract which required a significant provision to be made for it under INSPRU 3.2.17R or (where appropriate) did not fall within the definition of a permitted derivative contract.
- (e) The Society did not grant any rights under derivative contracts during the year.

**RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**FINANCIAL YEAR END 31 DECEMBER 2013**

**ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.30**

The Society has no shareholder controllers because it is a mutual company.



## **RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

### **THE EQUITABLE LIFE ASSURANCE SOCIETY**

#### **FINANCIAL YEAR END 31 DECEMBER 2013**

#### **CERTIFICATE REQUIRED BY IPRU(INS) 9.34 AND APPENDIX 9.6**

We certify that:

- 1) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
  
- 2) we are satisfied that:
  - a) throughout the financial year ended 31 December 2013 the Society has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU (as applicable); and
  - b) it is reasonable to believe that the Society 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 ended 31 December 2013 and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Society that are available for the purpose, to enable the Society to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
  
- 4) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision as at 31 December 2013 for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before 31 December 2013) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
  
- 5) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and

- 6) we have, in preparing the return, taken and paid due regard to:
- a) advice from the actuary appointed by the Society to perform the actuarial function in accordance with SUP 4.3.13R; and
  - b) advice from the actuary appointed by the Society to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

Ian Brimecome, Chairman

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Chris Wiscarson, Chief Executive

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Simon Small, Finance Director

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20th March 2014

## **RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

### **THE EQUITABLE LIFE ASSURANCE SOCIETY**

#### **AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY**

#### **FINANCIAL YEAR END 31 DECEMBER 2013**

#### **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ('the Rules') made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11, 12, 13, 14, 17 to 19, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes on pages 55 to 59) ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 100 ('the statement'); and
- the valuation reports required by IPRU(INS) rule 9.31 on pages 60 to 99 ('the valuation reports'); and

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

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes on pages 55 to 59);
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 101 and 107 to 108.
- the certificate required by IPRU(INS) rule 9.34(1) on pages 102 to 103 ('the Certificate').

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

The Society is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by a direction treated as being issued under section 138A of the Financial Services and Markets Act 2000 on 27 November 2012. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports 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 reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

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

This report has been prepared for the directors of the Society to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Society's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the annual FSA insurance return since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **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 reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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 reports 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 Society.

## **Opinion**

In our opinion:

(i) the Forms, the statement and the valuation reports 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 Society and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London

20<sup>th</sup> March 2014

## **RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

### **THE EQUITABLE LIFE ASSURANCE SOCIETY**

**FINANCIAL YEAR END 31 DECEMBER 2013**

#### **STATEMENT OF INFORMATION REQUIRED BY IPRU (INS) 9.36**

R Merry was the With-Profits Actuary for the Society until 12 December 2013. The particulars to be given in compliance with IPRU (INS) 9.36 are:-

a) Shareholding

R Merry had no interest in any shares or debentures issued by the Society.

b) Pecuniary Interest

R Merry holds unit-linked benefits in the AVC Scheme of the Equitable Pension Fund and Life Assurance Scheme under which premiums of £1,200 were paid during 2013.

c) Aggregate Remuneration

For the period 1 January 2013 to 31 December 2013, R Merry was directly employed by the Society and his aggregate amount of remuneration for the period was £143,787.46.

R Merry is not a Director of the Society.

d) Other Pecuniary Benefits

For the period 1 January 2013 to 31 December 2013, R Merry was directly employed by the Society and received:

Pension benefits and life assurance through the Equitable Pension Fund and Life Assurance Scheme in common with other eligible employees until 30 June 2013. The costs of the Scheme are met by The Equitable Life Assurance Society.

Group Personal Pension membership with total employer contributions of £19,800 paid for the period 1 July 2013 until 31 December 2013.

Life Assurance benefits in common with other eligible employees, the costs of which are met by The Equitable Life Assurance Society.

Health Insurance benefits in common with other eligible employees, the costs of which are met by The Equitable Life Assurance Society.

R Merry received no other pecuniary benefit from the Society.

The Society requested R Merry to furnish the particulars specified in IPRU (INS) 9.36.

The above particulars were furnished by R Merry and they agree with the Society's records.

H Louise Eldred was the With-Profits Actuary for the Society from 12 December 2013. The particulars to be given in compliance with IPRU (INS) 9.36 are:-

a) Shareholding

H Louise Eldred had no interest in any shares or debentures issued by the Society.

d) Pecuniary Interest

H Louise Eldred and her spouse held non-profit life assurance policies with the Society under which premiums of £283.32 were paid during 2013.

e) Aggregate Remuneration

For the period 1 January 2013 to 31 December 2013, H Louise Eldred was directly employed by the Society and her aggregate amount of remuneration for the period was £77,271.69.

H Louise Eldred is not a Director of the Society.

d) Other Pecuniary Benefits

For the period 1 January 2013 to 31 December 2013, H Louise Eldred was directly employed by the Society and received:

Group Personal Pension membership, with total employer contributions of £6,648.84.

Life Assurance benefits in common with other eligible employees, the costs of which are met by The Equitable Life Assurance Society.

Health Insurance benefits in common with other eligible employees, the costs of which are met by The Equitable Life Assurance Society.

H Louise Eldred received no other pecuniary benefit from the Society.

The Society requested H Louise Eldred to furnish the particulars specified in IPRU (INS) 9.36.

The above particulars were furnished by H Louise Eldred and they agree with the Society's records.