

SA 59

# Scottish Widows' Fund and Life Assurance Society



**Annual FSA Insurance Returns for the year ended  
31st December 2001**



**Returns under the Accounts and Statements Rules**

**(Appendices 1 , 3 , 4 , 6 )**

## Statement of solvency

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2001**

R9	Z2	GL	Period ended			Units
			day	month	year	
			31	12	2001	£000
		As at the end of this financial year	As at the end of the previous year		Source	
		1	2		Form	Line
					Column	

## GENERAL INSURANCE BUSINESS

## Available assets

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11			See instructions 1 and 2
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## Required minimum margin

Required minimum margin for general insurance business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

## LONG TERM INSURANCE BUSINESS

## Available assets

Long term insurance business admissible assets	21	491	500	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22			See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23			See instruction 4
Other insurance and non-insurance liabilities	24			See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	491	500	

## Implicit Items admitted under Rule 2.10(5) as modified

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	491	500	
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## Required minimum margin

Required minimum margin for long term insurance business	41			60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	373	465	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	118	35	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	491	500	

## CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6

Returns under the Accounts and Statements Rules

Name of company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                31 December 2001

**Covering sheet to Form 9**

.....  
M D Ross  
Director

.....  
W H Main  
Director

.....  
C M Herd  
Secretary

## Statement of net assets

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2001**

	R10	Z2	GL	Period ended			Units
				GL/UK/CM	day	month	year
					31	12	2001
		As at the end of this financial year 1	As at the end of the previous year 2	Source			£000
				Form	Line	Column	
Long term insurance business - admissible assets	11	491	500	13	89	1	
Long term insurance business - liabilities and margins	12	491	500	14	59	1	

Other than Long term insurance business - admissible assets	21			13	89	1	
Other than Long term insurance business - liabilities	22			15	69	1	
Net admissible assets (21-22)	23						
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	24					
	Supplementary contributions for a mutual carrying on general insurance business	25					
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	26					
	Cumulative preference share capital	27					
Available assets (23 to 27)	29						

## Represented by:

Paid up share capital (other than cumulative preference share capital)	51						
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56						
Total (51 to 56) and equal to line 29 above	59						

## Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61			10	56	2	
Retained profit/(loss) for the financial year	62			16	59	1	
Movement in asset valuation differences	63			See instruction 2			
Decrease/(increase) in the provision for adverse changes	64			See instruction 3			
Other movements (particulars to be specified by way of supplementary note)	65						
Balance carried forward at the end of the financial year (61 to 65)	69						

**Analysis of admissible assets**Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	Z2	GL	31	12	2001	£000	10
Investments						As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings						11				
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21							
		Debt securities issued by, and loans to, dependants	22							
	Other insurance dependants	Shares	23							
		Debt securities issued by, and loans to, dependants	24							
	Non-insurance dependants	Shares	25							
		Debt securities issued by, and loans to, dependants	26							
	Other group undertakings and participating interests	Shares	27							
		Debt securities issued by, and loans to, group undertakings	28							
		Participating interests	29							
Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest		30								
Total sheet 1 (11 to 30)						39				

## Analysis of admissible assets

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	Z2	GL	31	12	2001	£000	10
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities					As at the end of this financial year 1		As at the end of the previous year 2		
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	491		500		
			Other	46					
		Variable interest	Approved securities	47					
			Other	48					
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52					
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54					
		Withdrawal subject to a time restriction of more than one month		55					
	Other			56					
Deposits with ceding undertakings				57					
Assets held to match linked liabilities	Index linked			58					
	Property linked			59					
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61					
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)				69	491		500		

## Analysis of admissible assets

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

	Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets
R13	Z2	GL	31	12	2001	£000	10

Debtors			As at the end of this financial year 1	As at the end of the previous year 2
Other assets				
Debtors arising out of direct insurance operations	Policyholders		71	
	Intermediaries		72	
Salvage and subrogation recoveries			73	
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted		74	
	Due from reinsurers and intermediaries under reinsurance contracts ceded		75	
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year	76	
		Due more than 12 months after the end of the financial year	77	
	Other	Due in 12 months or less after the end of the financial year	78	
		Due more than 12 months after the end of the financial year	79	
Tangible assets			80	
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities		81	
	Cash in hand		82	
Other assets (particulars to be specified by way of supplementary note)			83	
Prepayments and accrued income	Accrued interest and rent		84	
	Deferred acquisition costs		85	
	Other prepayments and accrued income		86	
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets			87	
Total sheet 3 (71 to 86 less 87)			88	
Grand total of admissible assets (39+69+88)			89	491500

Reconciliation to asset values determined in accordance with the insurance accounts rules

Total admissible assets (as per line 89 above)	91	491	500
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)	92		
Solvency margin deduction for subsidiary undertakings which are insurance undertakings	93		
Other differences in the valuation of assets (other than for assets not valued above)	94		
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)	95		
Total assets determined in accordance with the insurance accounts rules (91 to 95)	99	491	500

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	100		
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**Long term insurance business liabilities and margins**Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	Z2	GL	31 day	12 month	2001 year	£000	10
				As at the end of this financial year 1	As at the end of the previous year 2		Source		
Mathematical reserves, after distribution of surplus		11						See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12						See Instruction 3	
Balance of surplus/(valuation deficit)		13		491			500	See Instruction 4	
Long term insurance business fund carried forward (11 to 13)		14		491			500	See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
Provisions for other risks and charges	Taxation	21							
	Other	22							
Deposits received from reinsurers		23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31						
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36						
	Other creditors	Taxation	37						
		Other	38						
Accruals and deferred income		39							
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49							
Excess of the value of net admissible assets		51					See Instruction 6		
Total liabilities and margins		59		491			500		
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61							
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63					See Instruction 7		



**Long term insurance business : Revenue account**Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Ordinary insurance business

Financial year ended **31st December 2001**Name and number of fund/Summary **Ordinary Long Term 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	Z2	GL	31	12	2001	£000	OB	1	0
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11		292892	
Investment income receivable before deduction of tax							12		142547	
Increase (decrease) in the value of non-linked assets brought into account							13	(9)	(18126)	
Increase (decrease) in the value of linked assets							14		(3167)	
Other income							15			
Total income (11 to 15)							19	(9)	414146	
Claims incurred							21		348286	
Expenses payable							22		33576	
Interest payable before deduction of tax							23		4776	
Taxation							24		12250	
Other expenditure							25		18513879	
Transfer to (from) non technical account							26			
Total expenditure (21 to 26)							29		18912767	
Increase (decrease) in fund in financial year (19-29)							39	(9)	(18498621)	
Fund brought forward							49	500	18499121	
Fund carried forward (39+49)							59	491	500	

## Long term insurance business : Analysis of premiums and expenses

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Ordinary insurance business

Financial year ended **31st December 2001**Name and number of fund/Summary **Ordinary Long Term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	Z2	GL	31	12	2001	£000	OB	1	0
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium		11							
		Regular premium		12							
	Pension business contracts	Single premium		13							
		Regular premium		14							
	Permanent health contracts	Single premium		15							
		Regular premium		16							
	Other contracts	Single premium		17							
		Regular premium		18							
	Total premiums	Single premium		19							
		Regular premium		29							
Total premiums at lines 19 and 29 attributable to	UK contracts		31								
	Overseas contracts		32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41							
	Other commission payable			42							
	Management expenses in connection with acquisition of business			43							
	Management expenses in connection with maintenance of business			44							
	Other management expenses			45							
	Total expenses (41 to 45)			49							
	Total expenses at line 49 attributable to	UK contracts		51							
		Overseas contracts		52							

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                31 December 2001

**Supplementary Notes to Schedules 1 and 3**

**1001 Reconciliation of Form 13 Line 99 to draft Companies Act accounts**

	2001
	£000
Line 99 on Form 13	<u>491</u>
Total Assets in accordance with draft Companies Act accounts	<u>491</u>

**1308 Classification of investments – long term business**

No investments are held within the specified categories.

**1309 Value of hybrid securities**

No hybrid securities are held.

**1310 Offsetting – long term business**

There has not been any offsetting of amounts in Form 13.

**1311 Counterparty limits**

Not applicable.

**1312 Exposure to large counterparties**

Not applicable.

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                      31 December 2001

**Supplementary Notes to Schedules 1 and 3**

**1318 Waiver under section 148 of Financial Services and Markets Act 2000**

The Financial Services Authority, on the application of the firm, issued to the firm on 26 March 2002 a direction under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to modify the provisions of IPRU (INS) 9, so that, for the purposes of that rule, the firm may submit abbreviated returns as prescribed in the direction.

During 2000, the Scottish Widows' Fund and Life Assurance Society ("the Company") transferred the majority of its assets and liabilities to Scottish Widows plc and Scottish Widows Annuities Limited, both wholly owned subsidiaries of the Lloyds TSB Group. The transfer of business was effected by a scheme pursuant to section 49 of, and Part 1 of Schedule 2C to, the Insurance Companies Act 1982.

**1401 Provision for adverse changes**

No provision has been made for adverse changes.

**1402 Other liabilities**

- (a) No charge has been made on the assets of the company to secure the liabilities of any other person.
- (b) No provision has been made for capital gains tax.
- (c) There are no contingent liabilities.
- (d) The company has given no guarantees, indemnities or contractual commitments in respect of related companies.
- (e) There are no other fundamental uncertainties.

**4001 Brought forward amounts**

There is no difference between the fund brought forward this year and that carried forward last year.

**4003 Allocation of investment income**

This note is not applicable as the Company does not have a non technical account.

Returns under the Accounts and Statements Rules

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                      31 December 2001

**Supplementary Notes to Schedules 1 and 3**

**4005    Basis of translation of foreign currency**

Revenue transactions and those relating to the acquisition and realisation of investments have been translated at rates of exchange ruling at the time of the respective transactions.

**4006    Basis of apportionment between long term funds**

Not applicable.

**4008    Management services**

Arrangements are in force under which Scottish Widows Investment Partnership Limited provides investment management services to the Company and under which Scottish Widows Services Limited provides management and administration services to the Company.

**Returns under the Accounts and Statements Rules**

**Statement required by Rule 9.29 of the Interim Prudential Sourcebook for Insurers:  
Additional Information on Derivative Contracts**

**Scottish Widows' Fund and Life Assurance Society**

**Financial year ended 31 December 2001**

It is Company policy to avoid the use of derivatives. No derivatives were held during the financial year.

## **Returns under the Accounts and Statements Rules**

### **Statement required by Rule 9.30 of the Interim Prudential Sourcebook for Insurers: Additional Information on Shareholder Controllers**

#### **Scottish Widows' Fund and Life Assurance Society**

#### **Financial year ended 31st December 2001**

The immediate shareholder controller of the Company during the financial year was Scottish Widows plc.

Scottish Widows plc is a wholly owned and controlled subsidiary of Scottish Widows Financial Services Holdings.

Scottish Widows Financial Services Holdings is a wholly owned and controlled subsidiary of Scottish Widows Group Limited.

Scottish Widows Group Limited is a wholly owned and controlled subsidiary of Lloyds TSB Bank plc.

Lloyds TSB Bank plc is a wholly owned and controlled subsidiary of Lloyds TSB Group plc, which was the ultimate shareholder controller of the Company during the financial year.

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                  31 December 2001

**Certificate by the Appointed Actuary**

I certify:

- (a)     that the Company had no long-term insurance business liabilities throughout the year;  
and
- (b)     that the Company held sufficient admissible assets to cover its required minimum  
solvency margin of £373,000 at the end of the financial year.

.....  
A M Eastwood  
Appointed Actuary

11<sup>th</sup> April 2002



Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                      31 December 2001

**Directors' Certificate required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6**

We certify that in our opinion:

- 1        (a)      in relation to the part of the return comprising Forms 9, 10, 13, 14, 40 and 41 (including the supplementary notes) and the statements required by rules 9.29 and 9.30 of the Interim Prudential Sourcebook for Insurers ("the Rules") that:
  - (i)        the return has been prepared in accordance with the Accounts and Statements Rules,
  - (ii)       proper accounting records have been maintained and adequate information has been obtained by Scottish Widows' Fund and Life Assurance Society ("the Company"); and
  - (iii)      an appropriate system of control has been established and maintained by the Company over its transactions and records;
- (b)      in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year in question enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- 2        the Company has maintained the required margin of solvency throughout the financial year in question;
- 3        (a)      any amount payable from or receivable by the long-term insurance business fund or funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subsidiary undertaking of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to that fund or those funds, and any exchange of assets representing such fund or funds for other assets of the Company has been made at fair market value;
- (b)      all guarantees given by the Company of the performance by a related company which would fall to be met by any long-term insurance business fund have been disclosed in the return, and that the fund or funds on which each such guarantee would fall has been identified in the return;
- (c)      the return in respect of long-term insurance business is not distorted by agreements between the companies concerned or by any arrangements which could affect the apportionment of expenses and income; and

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                31 December 2001

**Directors' Certificate required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6**

(d)     the Company has fully complied with the requirement of rule 3.5;

4       We are satisfied that:

(a)     systems and controls established and maintained by the Company in respect of its business complied, at the end of the financial year in question, and it is reasonable to believe that those systems and controls continued to so comply subsequently and will continue to so comply in the future, with the following relevant guidance:

- (i)      Prudential Guidance Note P1 "Systems of control over the investments of insurers (Principles for Insurers)"; and
- (ii)     Money Laundering - Guidance Notes for Insurance and Retail Products (revised June 1997) issued by the Joint Money Laundering Steering Group

(b)     the return has been prepared in accordance with:

- (i)      Prudential Guidance Note 4.1 "Guidance for insurers and auditors on the Valuation of Assets Rules";
- (ii)     Prudential Guidance Note 4.2 "Use of derivative contracts in insurance funds"; and
- (iii)    Prudential Guidance Note 9.1 "Preparation of annual returns".

.....  
M D Ross  
Director

.....  
W H Main  
Director

.....  
C M Herd  
Secretary

11<sup>th</sup> April 2002

Returns under the Accounts and Statements Rules

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                      31 December 2001

**Report of the auditors to the directors pursuant to IPRU (INS) 9.35 and IPRU (INS)  
Appendix 9.6**

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I, chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("FSMA").

- Forms 9, 10, 13, 14, 40 and 41 (including the supplementary notes thereto) ("the Forms");
- the statement required by rule 9.29 on page 13 ("the Statement"); and
- the certificate signed in accordance with rule 9.34(a) on pages 16 to 17 ("the Certificate").

In the case of the Certificate, our examination did not extend to:

- (a) paragraph 1(a) in relation to the statement required by rule 9.30 concerning shareholder controllers;
- (b) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

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

The Company is responsible for the preparation of an annual return (including the Forms, Statement and Certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver granted under section 148 of FSMA on 26 March 2002. Under rule 9.11 the Forms and Statement are required to be prepared in the manner set out in the Account and Statement Rules and to state fairly the information provided on the basis required by the Rules.

*It is our responsibility to form an independent opinion as to whether the Forms and Statement meet these requirements, and in the case of the Certificate whether it was or was not unreasonable for the persons giving the Certificate to have made the statements therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.*

**Bases of opinions**

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" 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 and Statement. The evidence included that previously obtained by us relating to the audit of the financial statements of the Company for the financial year on which we reported on 11<sup>th</sup> April 2002. It also included an

Returns under the Accounts and Statements Rules

Name of Company                      Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended                      31 December 2001

**Report of the auditors to the directors pursuant to IPRU (INS) 9.35 and IPRU (INS)  
Appendix 9.6**

assessment of the significant estimates and judgements made by the Company in the preparation of the Forms and Statement.

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 and Statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the Certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on:

- the certificate of the actuary on page 15 with respect to the required minimum margin for long-term insurance business.

**Opinions**

In our opinion:

- (a) the Forms and Statement fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) according to the information and explanations received by us:
  - (i) the Certificate has been properly prepared in accordance with the provisions of the Rules; and
  - (ii) it was not unreasonable for the persons giving the Certificate to have made the statements therein.

PricewaterhouseCoopers  
Edinburgh  
Chartered Accountants and Registered Auditors  
11<sup>th</sup> April 2002