

Name of company **SECURITY ASSURANCE LIMITED**

Global Business

Ac.1596

Financial year ended **31st December 1997**

Transfer of Business

On 10th November 1997 the Courts approved a scheme under Section 49 of, and Schedule 2C to, the Insurance Companies Act 1982, under which all the long term business policies of Security Assurance Limited were transferred to the long term fund of Norwich Union Life & Pensions Limited. This transfer was effected on 31st December 1997, and the total amount transferred was £2,730,000. This return shows the position immediately prior to that transfer.

RE-SCAN

THIS IS AN AC COMPANY
DOCUMENT DELIVERED
UNDER THE INSURANCE
ACT 1982



Statement of solvencyName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

R9	Company registration number 1927951	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	1997	
		As at the end of this financial year	As at the end of the previous year		Source	
		1	2		Form	Line
						Column

GENERAL BUSINESS**Available assets**

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

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

LONG TERM BUSINESS**Available assets**

Long term business admissible assets	21	2730	2897	10 . 11
Other than long term business assets allocated towards long term business required minimum margin	22	2920	2089	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	1981	1700	See instruction 4
Other insurance and non-insurance liabilities	24		339	See instruction 5
Available assets for long term business required minimum margin (21+22-23-24)	25	3669	2947	

Implicit items admitted under regulation 23(5) of the Insurance Companies Regulations 1994

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	3669	2947	
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Required minimum margin

Required minimum margin for long term business	41	546	626	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	546	626	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	3123	2321	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	3123	2321	

CONTINGENT LIABILITIES

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

Statement of solvency

Name of company: **SECURITY ASSURANCE LIMITED**

Global business

Financial Year ended **31st December 1997**

..... D Plummer
Chief Executive Officer

..... C Bolton
Director

..... P Bournier
Company Secretary

Norwich, 22nd June 1998

Statement of net assetsName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

	R10	Company registration number 1927951	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	1997	
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
				Form	Line	Column	
Long term business - admissible assets	11	2730	2897	13	89	1	
Long term business - liabilities and margins	12	2730	2897	14	59	1	
Other than Long term business - admissible assets	21	3306	2209	13	89	1	
Other than Long term business - liabilities	22	386	120	15	69	1	
Net admissible assets (21-22)	23	2920	2089				
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 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	2920	2089				

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	1600	1600	
Amounts included in lines 24 to 27 above	52			
Amounts representing the balance of net assets	56	1320	489	
Total (51 to 56) and equal to line 29 above	59	2920	2089	

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

Balance brought forward at the beginning of the financial year	61	489	99	10 . 56 . 2
Retained profit/(loss) for the financial year	62	(84)	293	16 . 59 . 1
Movement in asset valuation differences	63	206	97	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	709		
Balance carried forward at the end of the financial year (61 to 65)	69	1320	489	

Analysis of admissible assets

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total other than long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	1927951	GL	31	12	1997	£000	1
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 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 company has a participating interest				30						
Total sheet 1 (11 to 30)						39				

Analysis of admissible assetsName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	1927951	GL	31	12	1997	£000	1
Investments (continued)					As at the end of this financial year 1		As at the end of the previous year 2		
Deposits with ceding undertakings									
Assets held to cover linked liabilities									
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	959		665		
			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	2249		1537		
		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	3208		2202			

Analysis of admissible assetsName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	1927951	GL	31 day	12 month	1997 year	£000	1
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	62				
		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	3				
	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	33		7		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88	98		7		
Grand total of admissible assets (39+69+88)				89	3306		2209		
Reconciliation to asset values determined in accordance with the shareholder accounts rules									
Total admissible assets (as per line 89 above)				91	3306		2209		
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)				92			206		
Solvency margin deduction for insurance dependants				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 shareholder accounts rules)				95					
Total assets determined in accordance with the shareholder accounts rules (91 to 95)				99	3306		2415		
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance				100					

Analysis of admissible assets

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	1927951	GL	31	12	1997	£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 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 company has a participating interest			30				
Total sheet 1 (11 to 30)					39				

Analysis of admissible assetsName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	1927951	GL	31	12	1997	£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	2000		2073		
			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	168				
		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	2168		2073			

Analysis of admissible assetsName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
		R13	1927951	GL	31	12	1997	£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	562		626			
Salvage and subrogation recoveries				73						
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74			55			
	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			58			
		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			85			
	Deferred acquisition costs			85						
	Other prepayments and accrued income			86						
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets				87						
Total sheet 3 (71 to 86 less 87)				88	562		824			
Grand total of admissible assets (39+69+88)				89	2730		2897			
Reconciliation to asset values determined in accordance with the shareholder accounts rules										
Total admissible assets (as per line 89 above)				91	2730		2897			
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)				92						
Solvency margin deduction for insurance dependants				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 shareholder accounts rules)				95						
Total assets determined in accordance with the shareholder accounts rules (91 to 95)				99	2730		2897			
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance					100			58		

Category of assets	Total long term business assets
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Liabilities (other than long term business)Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

		Company registration number	GL/UK/CM	Period ended			Units	
		R15	1927951	GL	31	12	1997	£000
				As at the end of this financial year 1		As at the end of the previous year 2		
Technical provisions (gross amount)	Provision for unearned premiums		11					
	Claims outstanding		12					
	Provision for unexpired risks		13					
	Equalisation provisions	Credit business	14					
		Other than credit business	15					
	Other		16					
	Total (11 to 16)		19					
Provisions for other risks and charges	Taxation		21					
	Other		22					
Deposits received from reinsurers			31					
Creditors	Arising out of insurance operations	Direct business	41					
		Reinsurance accepted	42					
		Reinsurance ceded	43					
	Debenture loans	Secured	44					
		Unsecured	45					
	Amounts owed to credit institutions		46					
	Other creditors	Taxation	47			34		
		Recommended dividend	48			4		
		Other	49	323		82		
Accruals and deferred income			51	63				
Total (19 to 51)			59	386		120		
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)			61					
Cumulative preference share capital			62					
Subordinated loan capital			63					
Total (59 to 63)			69	386		120		
Amounts included in line 69 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			71	323		86		

Profit and loss account (non-technical account)Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

		R16	1927951	GL	31	12	1997	£000
		This financial year		Previous year		Source		
		1		2		Form	Line	Column
Transfer (to)/from the general business technical account	From Form 20	11				20	59	
	Equalisation provisions	12						
Transfer from the long term business revenue account		13	(266)	378	40	26		
Investment income	Income	14	169	106				
	Value re-adjustments on investments	15	15					
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17						
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19	24					
Allocated investment return transferred to the general business technical account		20			20	51		
Other income and charges (particulars to be specified by way of supplementary note)		21						
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	(106)	484				
Tax on profit or loss on ordinary activities		31	(22)	81				
Profit or loss on ordinary activities after tax (29-31)		39	(84)	403				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	(84)	403				
Dividends (paid and proposed)		51		110				
Profit or loss retained for the financial year (49-51)		59	(84)	293				

Long term business : Revenue accountName of company **SECURITY ASSURANCE LIMITED**

Global business

Ordinary business

Financial year ended **31st December 1997**Name and number of fund **Ordinary Long Term 1**

R40	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund
			day	month	year				
	1927951	GL	31	12	1997	£000	OB	1	0

Items to be shown net of reinsurance ceded		The financial year	Previous year
		1	2
Earned premiums	11	18029	14652
Investment income receivable before deduction of tax	12	139	230
Increase (decrease) in the value of non-linked assets brought into account	13	17	(75)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income (11 to 15)	19	18185	14807
Claims incurred	21	314	286
Expenses payable	22	17965	14131
Interest payable before deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	(266)	378
Total expenditure (21 to 26)	29	18013	14795
Increase (decrease) in fund in financial year (19-29)	39	172	12
Fund brought forward	49	2558	2546
Fund carried forward (39+49)	59	2730	2558

Long term business : Analysis of premiums and expenses

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Ordinary business

Financial year ended **31st December 1997**Name and number of fund **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	1927951	GL	31	12	1997	£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	1452		167		1285		
		Regular premium		12	18984		2240		16744		
	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	1452		167		1285		
		Regular premium		29	18984		2240		16744		
Total premiums at lines 19 and 29 attributable to	UK contracts		31	20400		2407		17993			
	Overseas contracts		32	36				36			
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41	17550				17550		
	Other commission payable			42							
	Management expenses in connection with acquisition of business			43	377				377		
	Management expenses in connection with maintenance of business			44	38				38		
	Other management expenses			45							
	Total expenses (41 to 45)			49	17965				17965		
	Total expenses at line 49 attributable to	UK contracts		51	17945				17945		
		Overseas contracts		52	20				20		

Long term business : Analysis of claimsName of company **SECURITY ASSURANCE LIMITED**

Global business

Ordinary business

Financial year ended **31st December 1997**Name and number of fund **Ordinary Long Term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	1927951	GL	31	12	1997	£000	OB	1	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Life assurance and annuity contracts	On death				11	820		506		314	
	By way of lump sums on maturity				12						
	By way of annuity payments				13						
	By way of payments arising from other insured events				14						
	On surrender or partial surrender				15						
	Total life assurance and annuity claims (11 to 15)				19	820		506		314	
Pension business contracts	On death				21						
	By way of lump sums on vesting				22						
	By way of vested annuity payments				23						
	On surrender or partial surrender				24						
	Total pension business claims (21 to 24)				29						
Permanent health contracts	By way of lump sums				31						
	By way of periodical payments				32						
	Total permanent health claims (31+32)				39						
Other contracts	By way of lump sums				41						
	By way of periodical payments				42						
	Total claims (41+42)				49						
Total claims (19+29+39+49)					59	820		506		314	
Total claims at line 59 attributable to		UK contracts			61	820		506		314	
		Overseas contracts			62						

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Schedule 4

Valuation Report

1. The date to which the investigation relates is 31st December 1997.
2. The date to which the previous investigation related was 31st December 1996.
3. The valuation is in conformity with regulation 64 of the Insurance Companies Regulations 1994.
4. The business of the Company consists entirely of transacting credit life insurance effected by single premiums, regular premiums or recurrent single premiums.
The Company issues group master policies in the United Kingdom and the Republic of Ireland for which the agent is the policyholder. Under these contracts the agent is empowered to issue certificates of insurance to its debtors. There is no underwriting by the Company but the insured debtors must satisfy certain criteria as to age, health and the current level of insurance. The certificates issued are level and decreasing term assurances on a single life basis. The certificate term is the term of the loan and may be any number of months up to 120. The sum assured is the settlement figure which will discharge the indebtedness with the agent, excluding arrears. The maximum permitted age at expiry is 65.
5. No linked business is written by the Company.
6. For the United Kingdom and Republic of Ireland business, the reserve held equalled the unearned portion of the premiums received for insurance in force at the valuation date less commission paid. Where the premiums purchased life cover in excess of one month, this reserve was compared with, and increased where necessary to, a net premium reserve for which the basis is set out in the appropriate columns in Form 51. Allowance was made for claims incurred but not reported.

The following reserves are calculated separately for each scheme:

All premium calculations referred to below are net of commission.

Reserve 1

The unearned premium reserve is calculated as:

Unearned premium by the rule of 78 \times (1 - expense retention)

Reserve 2

The expense reserve:

This is calculated as

(Unearned premium by the rule of 12) \times (The maintenance expense retention)

Reserve 3

Uplift to Reserve 1 to cover surrender values:

The surrender value basis is the unearned premium on rule of 78, net of the expense retention and the advance commission. Hence, reserve 3 is calculated as the excess of this plus a reserve for IBNR claims (see later note) over reserve 1.

Reserve 4

Uplift to reserve 2 to cover the possibility of loss, on lapse, of that part of the Company's expense retention not reserved for maintenance expenses:

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Schedule 4

This is calculated as

The excess of (unearned premium on rule of 78 × expense retention) over Reserve 2.

Both Reserve 3 and Reserve 4 cannot be less than zero.

The basic reserve is calculated as the sum of reserves 1 to 4 inclusive; however, it is necessary to ensure that the reserves are sufficient to cover the death and expense risks should only those policies where the death risk exceeds the unearned premium reserve remain in force.

Reserve 5

Technical reserve:

The basis used is 100% of A49-52 ultimate with 0% interest. This basis is considered prudent in relation to the expected experience.

Reserve 6

An additional reserve, covering the possibility that those policies where the technical reserve exceeds the surrender value stay in force while others are surrendered:

This is calculated as:

The excess of : The greater of Reserve 5 and the unearned premium on rule of 78 net of the expense retention

Plus IBNR

Plus (if Reserve 5 is the greater) Reserve 2 and Reserve 4

Over: The sum of Reserves 1 to 4 already calculated.

The total reserve then held is then:

Reserve 1 + Reserve 2 + Reserve 3 + Reserve 4 + Reserve 6

In all cases the unearned premium is the premium net of commission. In addition, an explicit reserve has been established to provide for future expenses. This is explained more fully in paragraph 10.

- (a) The Company has no derivative contracts.
- (b) All policies are without profit.
- (c) The net premium method has been used where appropriate without modification.
- (d) Any negative reserves which arose were set to zero.
- (e) No policy issued by the Company is permitted to share in profits.
- (f) There is no prospective liability for tax on unrealised capital gains.
- (g) Not applicable.
- (h) No provision for guarantees or options was made.

7. The rates of interest and mortality are set out in Form 51. The business is transacted entirely in the United Kingdom with the exception of a very small amount of business written on a services basis in The Republic of Ireland. The chosen mortality table is considered suitable for this. The company has decided that it will accept death claims that are AIDS-related, and a reserve of £25,000 is held as a provision for this. The assets and liabilities are well matched by term and type and no reserve is required pursuant to Regulation 75(a). The nature and term of assets and liabilities is such that the most onerous test under Regulation 75(b) is the rise in interest rates, and this is the only scenario that has been tested. The effect of an increase of 3% in interest rates on asset values was tested against the release of reserves caused by the introduction of interest into the reserve calculations. As a result of this test, a reserve of £35,000 was established.

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Schedule 4

8. The proportion of the office premium reserved for expenses is 45% where the company does all the administration, 40% where it only administers claims, and 30% where all the administration is handled by a third party. The maintenance expense proportion is taken as 85% of the total expense reserve. For single premium business the reserve is calculated as the maintenance expense percentage of the single premium multiplied by the outstanding proportion of the term of the contract.
9. No linked business is written.
10. No specific allowance is made for inflation in view of the short term nature of the business and the margins available elsewhere in the reserves. The amount which is available to meet expenses in respect of existing business over the next twelve months amounts to £140,000 and emerges from the release of the expense reserve mentioned above; there are also margins available from the expected future premiums for recurrent single premium business. There is no specific reserve for future new business, as this reserve would not be as great as the reserve required in respect of possible closure. The closed fund reserve, which is £550,000, allows for a full year's expenses plus the cost of transferring the business to another insurer, reduced by the release of expense reserves, and by the interest earned on the funds.
11. Less than 1% of the liabilities are in a currency other than sterling, and these are in Irish pounds. In view of the trivial nature of this amount and the small risk of a mismatch, all assets are held in sterling.
12. There is no reinsurance on a facultative basis.

The reinsurance treaties are shown in the following table

Reinsurer	UK Authorised	Connected	Nature of Cover	Premiums payable	Deposit	Refunds	Open to New Business
Cologne Reinsurance Co. Ltd	No	No	10% quota share of insured risks plus excess over £10,000 for eight schemes	145,325	No	No	Yes
Cologne Reinsurance Co. Ltd	No	No	50% quota share of insured risks under one scheme	108	No	No	No
Swiss Reinsurance Co. Ltd	Yes	No	Excess over £10,000 under one scheme	10,689	No	No	Yes
Swiss Reinsurance Co. Ltd	Yes	No	Excess over £10,000 under one scheme	12,783	No	No	Yes
Swiss Reinsurance Co. Ltd	Yes	No	Excess over £25,000 under one scheme	2,161	No	No	Yes
Swiss Reinsurance Co. Ltd	Yes	No	Excess over £25,000 under two schemes	3,456	No	No	Yes
Staley Insurance Services Ltd	No	No	100% of insured risks under one scheme	2,131,174	No	No	Yes
Patriot Insurance Co. Ltd	No	No	80% of insured risks under one scheme	23,603	No	No	Yes
E&S Insurance Ltd	No	No	90% of insured risks under one scheme	47,273	No	No	Yes

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Schedule 4

13 - 16. There are no with profit policyholders.

17 - 23 Forms 46, 47, 48, 49, 51, 57, 58 and 60 follow.

David Lechmere F.I.A.
Appointed Actuary

Long term business : Summary of changes in ordinary long term businessName of company **SECURITY ASSURANCE LIMITED**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 1997**

		Company registration number		GL/UK/CM		Period ended			Units		UK/OS	NL/LN
		R46	1927951	GL		day	month	year	£000		UK	NL
		Life assurance and general annuity		Pensions business		Permanent health		Other business				
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums			
		1	2	3	4	5	6	7	8			
In force at beginning of year	11											
New business and increases	12											
Net transfers and other alterations 'on'	13											
Total 'on' (12+13)	19											
Deaths	21											
Other insured events	22											
Maturities	23											
Surrenders	24											
Forfeitures	25											
Conversions to paid-up policies for reduced benefits	26											
Net transfers, expiries and other alterations 'off'	27											
Total 'off' (21 to 27)	29											
In force at end of year (11+19-29)	39											

Returns under Insurance Companies Legislation

Long term business : Analysis of new ordinary long term business

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Company registration number	GL/UK/CM	Period ended			Units
		day	month	year	
R47	1927951	GL	31	12	1997
					£000

Type of insurance	Single premium contracts				Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit		
1	2	3	4	5	6	7		
Group life	1	1528	75432	1	3581	121865		
Sub total: Non-Linked Non-Profit Policies	1	1528	75432	1	3581	121865		
Total: Life Assurance & General Annuity Business	1	1528	75432	1	3581	121865		
Total: UK Direct Written Business	1	1528	75432	1	3581	121865		

Long term business : Expected income from admissible assets not held to match liabilities in respect of linked benefits

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

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

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R48	1927951	GL	31	12	1997	£000	10
Type of asset			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3		
Land and buildings			11						
Fixed interest securities	Approved securities	12		2000		175		6.83	
	Other	13							
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14							
	Other	15							
Equity shares and holdings in collective investment schemes			16						
Loans secured by mortgages			17						
All other assets	Producing income	18		168		12		7.33	
	Not producing income	19		562					
Total (11 to 19)			29		2730		187	5.45	

Long term business : Analysis of admissible fixed interest and variable yield securities not held to match liabilities in respect of linked benefitsName of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Category of assets **Total long term business assets**

Company registration number		GLUK/CM		Period ended			Units		Category of assets
				day	month	year			
R49	1927951	GL	31	12	1997	£000	10		
Redemption period in years									
One year or less	11								
More than one year but not more than five years	12	2000	6.83						
More than five years but not more than ten years	13								
More than ten years but not more than fifteen years	14								
More than fifteen years but not more than twenty years	15								
More than twenty years but not more than twenty five years	16								
More than twenty five years	17								
Irredeemable	18								
Total (11 to 18)	19	2000	6.83						
One year or less	21								
More than one year but not more than five years	22								
More than five years but not more than ten years	23								
More than ten years but not more than fifteen years	24								
More than fifteen years but not more than twenty years	25								
More than twenty years but not more than twenty five years	26								
More than twenty five years	27								
Irredeemable	28								
Total (21 to 28)	29								

Returns under Insurance Companies Legislation

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

Name of company **SECURITY ASSURANCE LIMITED**

Global business

United Kingdom business

Financial year ended **31st December 1997**

Type of business **Life Assurance & General Annuity Business**

Company registration number

Period ended
day month year

GLUK/CM

Units

Type of business

Category of surplus

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		UK/OS	Type of business	Category of surplus
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums				Office premiums	Net premiums			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
UK Gross of Reinsurance Group life - AIDS reserve Expense reserve Mismatch reserve UK Reinsurance	0%	A49-52ULT	42	505298				2082 25 550 35 (711)				2082 25 550 35 (711)		11
Sub total: Non Profit contracts			42	112844				1981				1981		1981
Sub total: Direct Written Business			42	112844				1981				1981		1981
Net total: Life Assurance & General Annuity Business			42	112844				1981				1981		1981
Net total: United Kingdom business			42	112844				1981				1981		1981

Long term business : Matching rectangle

Sterling liabilities

Name of company **SECURITY ASSURANCE LIMITED**Valuation rate(s) of interest **0%**

Global business

Type of business

Life Assurance and Annuity BusinessFinancial year ended **31st December 1997**

Non profit

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

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of Interest	Type of business	WP/NP	Category of assets	
		day	month	year							
R57	1927951	GL	31	12	1997	£000	Stg	0	L&GA	NP	10

Type of asset notionally allocated	The Valuation			The resilience scenario		
	Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6
			On original allocation 3	Increase or decrease 4	Total under resilience 5	
Land and buildings	11					
Fixed interest securities	12	1784	6.82	1659	33	1692
	13					
Variable interest and Variable yield securities (excluding items shown at line 16)	14					
	15					
Equity shares and holdings in collective investment schemes	16					
Loans secured by mortgages	17					
All other assets	18	162	7.13	162		162
	19					
Total (11 to 19)	29	1946	6.85	1821	33	1854
Gross valuation interest rate %	31		0			
Net valuation interest rate % (where appropriate)	32					
Mathematical reserve or other liability, net of reinsurance	33	1946				1854

Long term business : Valuation result and distribution of surplus

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplusCategory of surplus **Ordinary Long Term**

		R58	1927951	GL	31	12	1997	£000	11
Valuation result	Fund carried forward					11		2730	
	Bonus payments made to policyholders in anticipation of a surplus					12			
	Transfers out of fund/ parts of fund	Transfer to non-technical account				13			
		Transfer to other funds/parts of funds				14			
	Net transfer out of funds/parts of funds (13+14)					15			
	Total (11+12+15)					16		2730	
	Mathematical reserves for accumulating with profit policies					17			
	Mathematical reserves for other non linked contracts					18		1981	
	Mathematical reserves for property linked contracts					19			
	Mathematical reserves for index linked contracts					20			
	Total (17 to 20)					21		1981	
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)					29		749	
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31		858	
	Transfers into fund/part of fund	Transfer from non-technical account				32		149	
		Transfer from other funds/parts of fund				33			
	Net transfer into fund/part of fund (32+33)					34		149	
	Surplus arising since the last valuation					35		(258)	
	Total (31+34+35)					39		749	
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus					41			
	Allocated to policyholders by way of	Cash bonuses				42			
		Reversionary bonuses				43			
		Other bonuses				44			
		Premium reductions				45			
	Total allocated to policyholders (41 to 45)					46			
	Net transfer out of fund/part of fund					47			
	Total distributed surplus (46+47)					48			
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49		749	
	Total (48+49)					59		749	
Percentage of distributed surplus allocated to policyholders of fund/part of fund						61			
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 1996)				62			
	Earlier	(year of valuation 1995)				63			
	Earliest	(year of valuation 1994)				64			

Returns under Insurance Companies Legislation

Long term business : Required minimum margin

Name of company SECURITY ASSURANCE LIMITED

Global business

Company
registration
number

GL/JUK/CM

Period ended
day month year

Units

Class		Classes I, II & IX				Class III business with relevant factor of				Class IV and VI				Classes VII and VIII business with relevant factor of				Unallocated additional mathematical reserves with relevant factor of				Total for all classes			
Relevant factor (Instruction 1)		4% 1	4% 2	1% 3	Nil 4	Total 5	4% 6	Nil 7	1% 8	Nil 9	Total 10	4% 11	1% 12	4% 13	1% 14	Total 15	4% 16	1% 17	Nil 18	Total 19	4% 20	1% 21	Total 22	4% 23	1% 24
Mathematical reserves before deduction of reinsurance		2692																							
Mathematical reserves after deduction of reinsurance																									
Ratio of 16 to 13 or 0.85 if greater (see instruction 2)		0.85																							
Required margin of solvency - first result = (line 13) * (line 17) - relevant factor		92																							
Non negative capital at risk before reinsurance (see instruction 3)		394957																							
Non negative capital at risk before reinsurance (see instruction 3)		103493																							
Non negative capital at risk after reinsurance (all contracts) (see instruction 3)		4766																							
Ratio of line 31 to line 29, or 0.50 if greater		503216																							
Required margin of solvency - second result (see instruction 4)		111474																							
Sum of first and second results (19+39)		0.50																							
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business		282																							
Total required margin of solvency for long term business (49+51)		374																							
Minimum guarantee fund																									
Required minimum margin (greater of lines 59 and 61)																									

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Statement required by regulation 23 of the Insurance Companies (Accounts and Statements) Regulations 1996

a) The following summarises investment policy for the use of derivatives: -

Derivatives will only be used in accordance with guidelines issued by Her Majesty's Treasury (formerly the Department of Trade and Industry) for the purpose of efficient portfolio management or reduction in investment risk.

Derivatives must not be used for speculative purposes.

Derivatives must be fully covered by the assets of the fund and must not be used to 'gear up' a fund.

Counterparty risk - for exchange traded contracts, the exchange must be classed as "regulated" by an investment committee. Over the counter contracts, transactions must only be transacted with approved counterparties.

Counterparty limits are consistent, and monitored in line with the fund's aggregate exposure guidelines.

Controls and Monitoring - delegated authorities exist for each member of staff using derivatives. Derivatives transactions are priced, settled and profit and losses reconciled in an area independent of the fund managers involved.

b) There are no specific guidelines for the use of contracts that were not reasonably likely to be exercised at the start of the contract. The speculative use of derivative contracts is prohibited.

c) The Company was not party to any contracts at the year-end or during the financial year which fall under description (b) above.

d) The amounts recorded in Form 13 would be unchanged if assets which the Company had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year (in the case of options, only those which it would be prudent to assume would be exercised) had been so disposed of and acquired.

e) The amounts recorded in Form 13 would be unchanged if assets which the Company had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year had been so disposed of and acquired.

f) During the financial year, the above changes would not have been different from those at the year-end.

g) The maximum loss which would be incurred by the Company in the event of failure by any counterparty to fulfil its obligations under derivative contracts outstanding at the end of the financial year, both under existing market conditions and in the event of other foreseeable market conditions, is nil. This would not have been materially different during the financial year.

h) No derivatives were used that fell outside regulation 55 of the Insurance Companies Regulations 1994 (as amended).

i) During the financial year, the Company's use of derivatives including the granting of rights under derivative contracts for a fixed consideration was nil.

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Statement of information of shareholder controllers required by regulation 24 of the Insurance Companies (Accounts and Statements) Regulations 1996

The following table gives details of the shareholder controllers during the year.

Shareholder Controller

Security Insurance Group Limited	100% of the shareholding and 100% of the voting rights of Security Assurance Limited.
SPIG Limited	100% of the shareholding and 100% of the voting rights of Security Insurance Group Limited
Norwich Union Insurance Limited (formerly Norwich Union Fire Insurance Society Limited)	100% of the shareholding and 100% of the voting rights of SPIG Limited
Norwich Union Holdings Limited (formerly Norwich Union Holdings plc)	100% of the shareholding and 100% of the voting rights of Norwich Union Insurance Limited
The Norwich Union Life Insurance Society	100% of the shareholding and 100% of the voting rights of Norwich Union Holdings Limited until 15th June 1997.
Norwich Union plc	100% of the shareholding and 100% of the voting rights of Norwich Union Holdings Limited from 16th June 1997

During 1997 the Norwich Union Group underwent a major process of demutualisation and restructuring. As a result of this the ultimate holding company changed from The Norwich Union Life Insurance Society to Norwich Union plc, Norwich Union Fire Insurance Society Limited was renamed Norwich Union Insurance Limited, and Norwich Union Holdings plc was renamed Norwich Union Holdings Limited.

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Statement required by regulation 31 of the Insurance Companies (Accounts and Statements) Regulations 1996

The following information is supplied in respect of Mr D J Lechmere who was the Appointed Actuary of Security Assurance Limited throughout the year.

1. (a) The Actuary held 3056 shares in Norwich Union plc at 31st December 1997.

Share options in Norwich Union plc have been awarded during 1997 to the Actuary to subscribe for 6,634 shares. The options are in respect of the savings related share option scheme. The earliest normal date at which the options can be exercised is 1st July 2002.

- (b) (i) The Actuary is the life insured under the following policy effected with Norwich Union Life & Pensions Limited .

Sum Assured	Bonus to Date	Annual Premium	Year of Maturity
£	£	£	
25,000	5,314	453	2009

- (ii) The Actuary is the beneficiary under the following Section 32 contract effected with Norwich Union Life & Pensions Limited.

Sum Assured	Bonus to Date	Year of Maturity
£	£	
73,792	32,342	2010

- (iii) The Actuary has certain policies with Norwich Union Insurance Limited all of which have been effected at rates available to staff generally. The Actuary is an agent of Norwich Union Insurance Limited.

- (c) The Actuary received emoluments from his employer, Norwich Union Services Limited, amounting to £64,720 in respect of the year ended 31st December 1997.

- (d) The Actuary is a member of the Norwich Union Group Pensions and Life Insurance Non-Contributory Plan (1971), and also pays additional voluntary contributions on the same terms as other members of the Plan.

2. The information in 1(a) - (d) above has been confirmed by the Actuary.

Returns under Insurance Companies Legislation

Supplementary Notes to the Returns

Name of company **SECURITY ASSURANCE LIMITED**

Global Business

Financial year ended **31st December 1997**

1001 Reconciliation to Shareholder Accounts:

	1997 £000	1996 £000
Net assets per Return		
Line 99 on Form 13	3,306	2,415
Line 59 on Form 15	(386)	(120)
	<u>2,920</u>	<u>2,295</u>
Difference due to assets retained in the long term business fund in excess of the fund for future appropriations	749	1,458
Loss on transfer of business	(332)	
Capital and reserves per shareholders accounts	<u>3,337</u>	<u>3,753</u>

1002 Statement of Net Assets

The following adjustments have been included in Line 65 of Form 10:

	1997 £000	1996 £000
Movement on assets retained in the LTBF in excess of the fund for future appropriations	709	-

1304/1310 Debtors and Creditors

Certain amounts shown in Forms 13 and 15 have been calculated by netting amounts due to any one person or undertaking against amounts due from that person or undertaking, where there is a right of set-off as permitted by Financial Reporting Standard 5.

1305/1311 Counterparty Exposure

The maximum permitted exposure to any approved counterparty is 20% of the Long Term Business Amount. The maximum extent to which, in accordance with Company investment guidelines, it was permitted to be exposed to any one counterparty, other than by way of exposure to an approved counterparty, during the financial year was 5% of the Long Term Business Amount. These limits were not breached during the year.

1401/1501 Provision for Adverse Changes

No provision is required in respect of adverse changes. All derivative contracts are strictly covered and all other obligations to deliver assets or make a payment are felt to be prudently provided for in the accounts.

Returns under Insurance Companies Legislation

Supplementary Notes to the Returns

Name of company **SECURITY ASSURANCE LIMITED**

Global Business

Financial year ended **31st December 1997**

1402/1502 Contingent Liabilities

- (a) No charge has been made on the assets of the Company to secure any liabilities.
- (b) No liability to tax on capital gains would arise if the Company disposed of its assets.
- (c) There are no other contingent liabilities.
- (d) There are no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.

1601 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Revenue transactions are translated at rates prevailing during the year.

1700 Derivative Contracts

This form has been omitted as it would be blank.

4008 Management Services

Throughout the year management services have been provided by Security Assurance Services Limited.

4300, 4400, 4500 Internal Linked Funds

These forms have not been completed as the Company does not operate any internal linked funds.

4601 Number of contracts

The number of group contracts in force at the end of the year was 42.

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Certificate required by regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

We certify:

1. (a) that in relation to the part of this return comprising Forms 9, 10, 13 to 16, and 40 to 42 (including the supplementary notes thereto) and the statements required by regulations 23 and 24 of the Insurance Companies (Accounts and Statements) Regulations 1996 that:-
 - (i) the return has been prepared in accordance with the Regulations;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by the Company; and
 - (iii) an appropriate system of control has been established and maintained by the Company over its transactions and records;
 - (b) that in respect of the Company's business which is not excluded by regulation 32 of the Insurance Companies Regulations 1994, the assets held throughout the financial year in question enabled the Company to comply with regulations 27 to 31 (matching and localisation) of those Regulations; and
 - (c) that in relation to the statement required by regulation 31 of the Insurance Companies (Accounts and Statements) Regulations 1996:
 - (i) for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) the information given has been ascertained in conformity with that regulation.
2. that the margin of solvency required by section 32 of the Insurance Companies Act 1982 has been maintained throughout the financial period.
3. (a) that the requirements of sections 28 to 31 of the Insurance Companies Act 1982 have been fully complied with and in particular, subject to the provisions of section 29(2) to (4) and section 30 of the Act, assets attributable to long term business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term business fund have not been applied otherwise than for the purpose of the long term business.
 - (b) that any amount payable from or receivable by the long term business 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 section 31 of the Insurance Companies Act 1982, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;
 - (c) that no guarantees of performance by a related company have been given.
 - (d) that no internal linked funds were operated by the Company in the financial year.
 - (e) that the returns in respect of long term business are not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links or by any arrangements which could affect the apportionment of expenses and income; and

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Certificate required by regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

(f) that the Company has fully complied with the requirements of section 31A of the Insurance Companies Act 1982.

4. (a) that the systems of control established and maintained by the Company in respect of its business complied at the end of the financial period with the following published guidance:

- (i) Prudential Guidance Note 1994/6 - 'Systems of control over the investments (and counterparty exposure) of insurance companies with particular reference to the use of derivatives';
- (ii) 'Money Laundering - Guidance Notes for Insurance and Retail Products' (revised June 1997) issued by the Joint Money Laundering Steering Group,

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future; and

(b) *the return has been prepared in accordance with the following published guidance:*

- (i) Prudential Guidance Note 1995/1 - 'Guidance for insurance companies and auditors on the Valuation of Assets Regulations';
- (ii) Prudential Guidance Note 1995/3 - 'The use of derivatives in insurance funds'; and
- (iii) Prudential Guidance Note 1998/1 - 'The preparation of annual returns to the Insurance Directorate of HM Treasury'.

..... D Plummer
Chief Executive Officer

..... C Bolton
Director

..... P Bournier
Company Secretary

Norwich
22nd June 1998

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Certificate by appointed actuary

I certify:

1. (a) that in my opinion proper records have been kept by the Company adequate for the purpose of the valuation of the liabilities of its long term business;
 - (b) that the mathematical reserves shown in Form 14 constitute proper provision at the end of the financial year for the liabilities (excluding liabilities which had fallen due before the end of the financial year) arising under or in connection with contracts for long term business;
 - (c) that for the purpose of sub-paragraph (b) above the liabilities have been assessed in accordance with Part IX of the Insurance Companies Regulations 1994 in the context of assets valued in accordance with Part VIII of those Regulations, as shown in Form 13;
 - (d) that the professional guidance notes "Actuaries and Long Term Insurance Business (GN1) " and "Additional Guidance for Appointed Actuaries and Appropriate Actuaries (GN8) " issued by the Institute of Actuaries and the Faculty of Actuaries (version 5.0 effective 1st September 1996), have been complied with; and
 - (e) that in my opinion premiums for contracts entered into during the financial period and the income earned thereon are sufficient, on reasonable actuarial assumptions and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves.
2. that the amount of the required minimum margin applicable to the Company's long term business immediately following the end of the financial year is £545,964.

..... D J Lechmere FIA
Appointed Actuary

Norwich

22nd June 1998

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

Report of the auditors to the Directors pursuant to regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1996

We have examined the following documents prepared by the Company pursuant to section 17 of the Insurance Companies Act 1982 ('the Act') and the Insurance Companies (Accounts and Statements) Regulations 1996 ('the Regulations'):

- Forms 9, 10, 13 to 16, 40 to 42 (including the supplementary notes thereto) ('the Forms');
- the statement required by regulation 23 on page 28 ('the statement'); and
- the certificate signed in accordance with regulation 28(a) on pages 33 and 34 ('the certificate').

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

- (a) paragraph 1(c) in relation to the statements required by regulations 24 and 31, concerning shareholder controllers and the Appointed Actuary;
- (b) paragraph 3(d) concerning the investment policy and practice of internal linked funds, required by paragraph 4(d) of Schedule 6; and
- (c) paragraph 4(a)(ii) in so far as it relates to controls with respect to Money Laundering.

Respective responsibilities of the Company 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 Act and the Regulations. Under regulation 5 the Forms and statement are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

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.

Bases of opinions

We conducted our work in accordance with Bulletin 1998/3; 'Auditors' reports on regulatory returns made under the Insurance Companies Act 1982' 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 2nd June 1998. It also included an 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 regulation 5.

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.

Returns under Insurance Companies Legislation

Name of company **SECURITY ASSURANCE LIMITED**

Global business

Financial year ended **31st December 1997**

**Report of the auditors to the Directors pursuant to regulation 29 of the Insurance Companies
(Accounts and Statements) Regulations 1996 (Continued)**

In giving our opinion we have relied on the certificate of the actuary on page 35 with respect to the mathematical reserves and the required minimum margin.

Opinions

In our opinion:

- (a) The Forms and statement fairly state the information provided on the basis required by the Regulations and have been properly prepared in accordance with the provisions of those Regulations; 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 Regulations; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

Ernst & Young
Chartered Accountants
Registered Auditor
Norwich

22nd June 1998