

2010

Guardian Assurance plc

Head office: Ballam Road, Lytham St.Annes, FY8 4JZ

A member of the AEGON UK Group

Annual FSA Insurance Returns for the year ended

31 December 2010

IPRU(INS) Appendices 9.1, 9.2, 9.3, 9.4, 9.4A, 9.5, 9.6

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Statement of solvency - general insurance businessName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R1	38921	GL	31	12	2010	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

Capital resources

Capital resources arising outside the long-term insurance fund	11	71976	70190
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	62009	60952
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	9967	9238

Guarantee fund

Guarantee fund requirement	21	3040	3128
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	6927	6110

Minimum capital requirement (MCR)

General insurance capital requirement	31	100	90
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	3040	3128
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	3040	3128
Excess (deficiency) of available capital resources to cover 50% of MCR	37	8447	7674
Excess (deficiency) of available capital resources to cover 75% of MCR	38	7687	6892

Capital resources requirement (CRR)

Capital resources requirement	41	3040	3128
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	6927	6110

Contingent liabilities

Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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Covering Sheet to Form 1

Name of insurer **Guardian Assurance plc**
Global business
Financial year ended **31 December 2010**

..... **O. THORESEN** Chief Executive

..... **A.T. GRACE** Director

..... **C.J. BOUSFIELD** Director

Edinburgh, 25 March 2011

Statement of solvency - long-term insurance businessName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	38921	GL	31	12	2010	£000
					As at end of this financial year	As at end of the previous year
					1	2

Capital resources

Capital resources arising within the long-term insurance fund	11	1177439	1037935
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	62009	60952
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1239448	1098887

Guarantee fund

Guarantee fund requirement	21	60539	58329
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1178909	1040558

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	181618	174987
Resilience capital requirement	32		
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	181618	174987
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	181618	174987
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1148639	1011393
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1103235	967647

Enhanced capital requirement

With-profits insurance capital component	39	994491	862054
Enhanced capital requirement	40	1176109	1037041

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1176109	1037041
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	63339	61846

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Components of capital resourcesName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	38921	GL	31	12	2010	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Core tier one capital

Permanent share capital	11		10354	10354	10354
Profit and loss account and other reserves	12	9967	40109	50076	47713
Share premium account	13		16221	16221	16221
Positive valuation differences	14		1004050	1004050	884140
Fund for future appropriations	15		169770	169770	151797
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19	9967	1240504	1250471	1110225

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31	9967	1240504	1250471	1110225
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39	9967	1240504	1250471	1110225

Components of capital resourcesName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	38921	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Tier two capital

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

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

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

Components of capital resourcesName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	38921	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72	9967	1240504	1250471	1110225
Inadmissible assets other than intangibles and own shares	73		1056	1056	2100
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79	9967	1239448	1249415	1108125

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81	9967	1239448	1249415	1108125
Available capital resources for 50% MCR requirement	82	9967	1239448	1249415	1108125
Available capital resources for 75% MCR requirement	83	9967	1239448	1249415	1108125

Financial engineering adjustments

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

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

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

General insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	38921	GL	31	12	2010	£000
						This financial year 1	Previous year 2
Gross premiums written			11				
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13				
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16				
Gross premiums earned			21				
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23				
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26				
Sub-total I (higher of sub-total A and sub-total H)			30				
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32				
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34				
Claims paid in period of 3 financial years			41		2592		3281
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42		5459		6543
	For insurance business accounted for on an accident year basis		43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44		6901		8785
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46		1150		1039
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
Sub-total D (46-47)			48		1150		1039
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49		1.00		1.00
Premiums amount (Sub-total J x reinsurance ratio)			50				
Provision for claims outstanding (before discounting and net of reinsurance)			51		5459		6543
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53		75		24
Greater of lines 50 and 53			54		75		24

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

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	38921	GL	31	12	2010	£000
				This financial year 1		Previous year 2	
Gross premiums written			11			855	906
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			855	906
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16			855	906
Gross premiums earned			21			855	906
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			855	906
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26			855	906
Sub-total I (higher of sub-total A and sub-total H)			30			855	906
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31			855	906
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			154	163
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34			154	163
Claims paid in period of 3 financial years			41			22936	25619
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			41028	42727
	For insurance business accounted for on an accident year basis		43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			48008	56259
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46			15955	12087
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			4146	4352
Sub-total D (46-47)			48			11809	7735
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			0.74	0.64
Premiums amount (Sub-total J x reinsurance ratio)			50			114	104
Provision for claims outstanding (before discounting and net of reinsurance)			51			29920	31317
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53			2537	2656
Greater of lines 50 and 53			54			2537	2656

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	38921	GL	31	12	2010	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	2592			3281
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	5459			6543
	For insurance business accounted for on an accident year basis			23				
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	6901			8785
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	1150			1039
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	1150			1039
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	383			346
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	100			90
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	100			90
Claims amount Sub-total G x reinsurance ratio (11.49)				41	100			90
Higher of premiums amount and brought forward amount (11.54)				42	75			24
General insurance capital requirement (higher of lines 41 and 42)				43	100			90

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	38921	GL	31	12	2010	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	22936			25619
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	41028			42727
	For insurance business accounted for on an accident year basis			23				
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	48008			56259
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	15955			12087
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	15955			12087
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	5318			4029
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	1383			1048
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	1383			1048
Claims amount Sub-total G x reinsurance ratio (11.49)				41	1023			670
Higher of premiums amount and brought forward amount (11.54)				42	2537			2656
General insurance capital requirement (higher of lines 41 and 42)				43	2537			2656

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	38921	GL	31	12	2010	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11					

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		52552
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	17573	18292
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1088	
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72	120	112
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	83	72
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	48	52066
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	10630	10917
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	201	204
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	82295	81663
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Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	82295	81663
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(46)	(130)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	82249	81533

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	52552	
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Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	38921	GL	31	12	2010	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings								

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares		41		1154869		1100562
Other shares and other variable yield participations		42				
Holdings in collective investment schemes		43		503		1541
Rights under derivative contracts		44		189137		129271
Fixed interest securities	Approved	45		1134414		743964
	Other	46		2371124		2264401
Variable interest securities	Approved	47				
	Other	48		30904		35500
Participation in investment pools		49				
Loans secured by mortgages		50				
Loans to public or local authorities and nationalised industries or undertakings		51				
Loans secured by policies of insurance issued by the company		52		227		253
Other loans		53				
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		170038		382447
	More than one month withdrawal	55				
Other financial investments		56				
Deposits with ceding undertakings		57		7299		8667
Assets held to match linked liabilities	Index linked	58				
	Property linked	59		385774		350903

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	38921	GL	31	12	2010	£000
					10	
					As at end of this financial year	As at end of the previous year
					1	2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	237	547
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	1000	8616
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	31885	34759
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1420	4786
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	72832	67697
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	745	159

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5552408	5134073
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Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	5552408	5134073
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	917	1942
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	139	158
Reinsurers' share of technical provisions excluded from line 89	100	2241459	2106979
Other asset adjustments (may be negative)	101	1610	10388
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7796533	7253540
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	25213	

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Life**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	38921	GL	31	12	2010	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings								

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41	1154869	1100562	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	503	1541	
Rights under derivative contracts	44	189137	129271	
Fixed interest securities	Approved	45	1131971	741519
	Other	46	2360129	2253618
Variable interest securities	Approved	47		
	Other	48	30904	35500
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	227	253	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	170038	382447
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57	7299	8667	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	385774	350903

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Life**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	237	495
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	958	8510
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	32478	35326
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	232	2460
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	72418	67280
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	745	159

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5537919	5118511
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Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Life**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	5537919	5118511
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	917	1942
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2236941	2102411
Other asset adjustments (may be negative)	101	1989	10609
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7777766	7233473
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	25212	

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Permanent Health**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	38921	GL	31	12	2010	£000	12
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11					

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	2443	2445
	Other	46	10995	10783
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Permanent Health**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		52
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	42	106
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	(593)	(567)
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1188	2326
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	414	417
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	14489	15562
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Analysis of admissible assetsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Permanent Health**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	38921	GL	31	12	2010	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	14489	15562
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	139	158
Reinsurers' share of technical provisions excluded from line 89	100	4518	4568
Other asset adjustments (may be negative)	101	(379)	(221)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	18767	20067

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1	
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Long term insurance business liabilities and marginsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Summary**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	4087516	3889306	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	3441	3135	
Long term insurance business fund carried forward (11 to 13)	14	4090957	3892441	
Claims outstanding	Gross	15	15800	16882
	Reinsurers' share	16	296	725
	Net (15-16)	17	15504	16157
Provisions	Taxation	21	2471	(559)
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	1274	1819
	Reinsurance accepted	32	745	570
	Reinsurance ceded	33	1219	14313
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	3001	3478	
Creditors	Taxation	37	3556	181
	Other	38	259001	170094
Accruals and deferred income	39	680	779	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	287451	206832	
Excess of the value of net admissible assets	51	1174000	1034800	
Total liabilities and margins	59	5552408	5134073	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6570	19746
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	381371	348403

Total liabilities (11+12+49)	71	4374967	4096138
Increase to liabilities - DAC related	72		44
Reinsurers' share of technical provisions	73	2241459	2106979
Other adjustments to liabilities (may be negative)	74	1005662	894484
Capital and reserves and fund for future appropriations	75	174445	155895
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	7796533	7253540

Long term insurance business liabilities and marginsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Life**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	4076375	3876988	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	136	94	
Long term insurance business fund carried forward (11 to 13)	14	4076511	3877082	
Claims outstanding	Gross	15	15800	16882
	Reinsurers' share	16	296	725
	Net (15-16)	17	15504	16157
Provisions	Taxation	21	2471	(559)
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	1274	1818
	Reinsurance accepted	32	745	570
	Reinsurance ceded	33	1219	14147
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	3001	3478	
Creditors	Taxation	37	3556	4
	Other	38	258958	170235
Accruals and deferred income	39	680	779	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	287408	206629	
Excess of the value of net admissible assets	51	1174000	1034800	
Total liabilities and margins	59	5537919	5118511	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6527	19746
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	381371	348403

Total liabilities (11+12+49)	71	4363783	4083617
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2236941	2102411
Other adjustments to liabilities (may be negative)	74	1007272	895648
Capital and reserves and fund for future appropriations	75	169770	151797
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	7777766	7233473

Long term insurance business liabilities and marginsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Permanent Health**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	11141	12318
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	3305	3041
Long term insurance business fund carried forward (11 to 13)	14	14446	15359
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	1
	Reinsurance accepted	32	
	Reinsurance ceded	33	166
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	177
	Other	38	43 (141)
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	43	203
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	14489	15562

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	43	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	11184	12521
Increase to liabilities - DAC related	72		44
Reinsurers' share of technical provisions	73	4518	4568
Other adjustments to liabilities (may be negative)	74	(1610)	(1164)
Capital and reserves and fund for future appropriations	75	4675	4098
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	18767	20067

Liabilities (other than long term insurance business)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	38921	GL	31	12	2010	£000
			As at end of this financial year 1			As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums	11				
Claims outstanding	12			5459	6543
Provision for unexpired risks	13				
Equalisation provisions	Credit business	14			
	Other than credit business	15			
Other technical provisions	16				
Total gross technical provisions (11 to 16)	19			5459	6543

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41		142	77
	Reinsurance accepted	42		83	
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47			131
	Foreseeable dividend	48			
	Other	49		35	123
Accruals and deferred income		51			
Total (19 to 51)		59		5719	6874
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63		4600	4600
Total (59 to 63)		69		10319	11474

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			4635	4723
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Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83			(46)	(131)
Capital and reserves	84			71976	70190
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85			82249	81533

Profit and loss account (non-technical account)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	38921	GL	31	12	2010	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20	11				(111)	(600)	
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13				8503	9268	
Investment income	Income	14				1363	2081	
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16				424	1174	
Investment charges	Investment management charges, including interest	17				20	22	
	Value re-adjustments on investments	18				215	2002	
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general insurance business technical account		20						
Other income and charges (particulars to be specified by way of supplementary note)		21				58	(121)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29				10002	9778	
Tax on profit or loss on ordinary activities		31				418	145	
Profit or loss on ordinary activities after tax (29-31)		39				9584	9633	
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				9584	9633	
Dividends (paid or foreseeable)		51				7800	38300	
Profit or loss retained for the financial year (49-51)		59				1784	(28667)	

Analysis of derivative contractsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	38921	GL	31	12	2010	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	170861		239594	2263768		3363578	
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	509			24633			
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
Other	21								
In the money options	Swaptions	31	1009			92094			
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	16758			13798			
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	189137		239594	2394293		3363578	
Adjustment for variation margin		52							
Total (51 + 52)		53	189137		239594				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Category of assets **Life**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	38921	GL	31	12	2010	£000	11
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4				
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	170861	239594	2263768	3363578			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	509		24633				
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
Other	21								
In the money options	Swaptions	31	1009		92094				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	16758		13798				
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	189137	239594	2394293	3363578			
Adjustment for variation margin		52							
Total (51 + 52)		53	189137	239594					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

With-profits insurance capital component for the fundName of insurer **Guardian Assurance plc**With-profits fund **Life**Financial year ended **31 December 2010**Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	5537919	5118511
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	1869087	1634058
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	106123	96130
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	3562709	3388323
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	2207288	2242930
	Regulatory current liabilities of the fund	22	287408	206629
	Total (21+22)	29	2494696	2449559
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	73522	76710
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	2568218	2526269
Regulatory excess capital (19-39)		49	994491	862054

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	994491	862054
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	994491	862054

Realistic balance sheetName of insurer **Guardian Assurance plc**With-profits fund **Life**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	3562710	3388323
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	343307	273865
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	3906017	3662188
Support arrangement assets	27		
Assets available to the fund (26+27)	29	3906017	3662188

Realistic value of liabilities of fund

With-profits benefit reserve	31	2595802	2596165	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	292429	267268
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	613167	494813
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41		
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	117209	97313
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1022805	859394	
Realistic current liabilities of the fund	51	287410	206629	
Realistic value of liabilities of fund (31+49+51)	59	3906017	3662188	

Realistic balance sheet

Name of insurer **Guardian Assurance plc**
 With-profits fund **Life**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	3906017	3662188
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	3906017	3662188
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

General insurance business : Summary of business carried on

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	38921	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category	1	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		3	4	
				Reported 2	Incurred but not reported			
001	Total business	1		2959		2500		
002	Total primary (direct) and facultative business	2		2018		1745		
003	Total treaty reinsurance accepted business	3		941		755		
110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4						
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5						
160	Primary (direct) and facultative household and domestic all risks	6						
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7						
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8						
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9						
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		2005		1684		
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11						
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12		13		11		
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13				50		
350	Total primary (direct) and facultative goods in transit	14						
400	Miscellaneous primary (direct) and facultative business	15						
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16		941		755		
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17						
700	Miscellaneous treaty reinsurance accepted business	18						
	Total (lines 4 to 18)	20		2959		2500		

General insurance business : Summary of business carried on

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

R20A	Company registration number	GL/ UK/ CM	day month year			units
			31	12	2010	
	38921	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year	
		1	Reported	Incurred but not reported	4	
			2	3		

Primary (direct) and facultative personal lines business

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23				
114	Personal accident or sickness	24				
121	Private motor - comprehensive	25				
122	Private motor - non-comprehensive	26				
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28				
181	Assistance	29				
182	Creditor	30				
183	Extended warranty	31				
184	Legal expenses	32				
185	Mortgage indemnity	33				
186	Pet insurance	34				
187	Other personal financial loss	35				

Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42				
223	Motor other	43				
261	Commercial property	44				
262	Consequential loss	45				
263	Contractors or engineering all risks	46				
271	Employers liability	47				
272	Professional indemnity	48		1578	1160	
273	Public and products liability	49		418	499	
274	Mixed commercial package	50		9	25	
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

Primary (direct) and facultative aviation

331	Aviation liability	61		13	11	
332	Aviation hull	62				
333	Space and satellite	63				

General insurance business : Summary of business carried on

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year
			Reported	Incurred but not reported		
		1	2	3	4	

Company registration number GL/UK/CM day month year units

R20A 38921 GL 31 12 2010 £000

Primary (direct) and facultative marine and transport

341	Marine liability	64			
342	Marine hull	65			50
343	Energy (on and off-shore)	66			
344	Protection and indemnity	67			
345	Freight demurrage and defence	68			
346	War risks	69			
347	Yacht	70			
350	Total primary (direct) and facultative goods in transit (equals line 14)	71			

Primary (direct) and facultative miscellaneous

400	Miscellaneous primary (direct) and facultative business (equals line 15)	72			
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Non-proportional treaty

510	Non-proportional accident and health	81			
520	Non-proportional motor	82			
530	Non-proportional aviation	83			
540	Non-proportional marine	84	22	19	
550	Non-proportional transport	85			
560	Non-proportional property	86			
570	Non-proportional liability (non-motor)	87	919	736	
580	Non-proportional financial lines	88			
590	Non-proportional aggregate cover	89			

Proportional treaty

610	Proportional accident and health	91			
620	Proportional motor	92			
630	Proportional aviation	93			
640	Proportional marine	94			
650	Proportional transport	95			
660	Proportional property	96			
670	Proportional liability (non-motor)	97			
680	Proportional financial lines	98			
690	Proportional aggregate cover	99			

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101			
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	Total (lines 21 to 101)	111	2959	2500	
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General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	38921	GL	31	12	2010	£000	001
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				(111)	(600)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(111)	(600)	
Balance of all years' underwriting (19+29+39)			49				(111)	(600)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(111)	(600)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	38921	GL	31	12	2010	£000	002
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				51	(523)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				51	(523)	
Balance of all years' underwriting (19+29+39)			49				51	(523)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				51	(523)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	38921	GL	31	12	2010	£000	003
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				(162)	(77)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(162)	(77)	
Balance of all years' underwriting (19+29+39)			49				(162)	(77)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(162)	(77)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	38921	GL	31	12	2010	£000	270
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				181	(312)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				181	(312)	
Balance of all years' underwriting (19+29+39)			49				181	(312)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				181	(312)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	38921	GL	31	12	2010	£000	409
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				(130)	(211)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(130)	(211)	
Balance of all years' underwriting (19+29+39)			49				(130)	(211)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(130)	(211)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	38921	GL	31	12	2010	£000	500
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				(125)	(454)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(125)	(454)	
Balance of all years' underwriting (19+29+39)			49				(125)	(454)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(125)	(454)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Balance of all treaty reinsurance accepted business**

	Company registration number	GL/UK/CM	day	month	year	Units	Category number	
	R20	38921	GL	31	12	2010	£000	709
Items to be shown net of reinsurance			This financial year				Previous year	
			1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11						
	Claims incurred (22.17.4)	12						
	Claims management costs (22.18.4)	13						
	Adjustment for discounting (22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)	15						
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses (22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21						
	Claims incurred (22.13.4)	22						
	Claims management costs (22.14.4)	23						
	Adjustment for discounting (22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses (22.41.4)	26						
	Balance (21-22-23+24+25-26)	29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				(37)	377	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32						
	Total	39				(37)	377	
Balance of all years' underwriting (19+29+39)		49				(37)	377	
Allocated investment income		51						
Transfer to non-technical account (49+51)		59				(37)	377	

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total business**

			Company registration number		GL/UK/CM		day month year			Units		Category number																
			R24		38921		GL		31	12	2010	£000		001														
Underwriting year ended			Prior underwriting years		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns											
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	99	99		
Premiums written	Gross amount	11																										
	Reinsurers' share	12																										
	Net (11-12)	19																										
Claims paid	Gross amount	21	935																							935		
	Reinsurers' share	22																										
	Net (21-22)	29	935																							935		
Claims management costs		39																										
Net operating expenses	Commissions	41																										
	Other acquisition expenses	42	8																								8	
	Administrative expenses	43	252																								252	
	Reinsurers' commissions and profit participations	44																										
	Payable net (41+42+43-44)	49	260																								260	
Technical provisions	Brought forward	Undiscounted	51	6543																							6543	
		Adjustment for discounting	52																									
	Carried forward	Undiscounted	53	5459																								5459
		Adjustment for discounting	54																									
	Increase (decrease) in the financial year (53-54-51+52)		59	(1084)																								(1084)
Balance on each underwriting year (19-29-39-49-59)		69	(111)																								(111)	

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses

 Name of insurer **Guardian Assurance plc**

Global business

 Financial year ended **31 December 2010**
Total primary (direct) and facultative business

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number				
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	2010	£000	002	002						
Premiums written	Gross amount	11																															
	Reinsurers' share	12																															
	Net (11-12)	19																															
Claims paid	Gross amount	21	645																												645		
	Reinsurers' share	22																															
	Net (21-22)	29	645																												645		
Claims management costs		39																															
Net operating expenses	Commissions	41																															
	Other acquisition expenses	42	5																													5	
	Administrative expenses	43	174																													174	
	Reinsurers' commissions and profit participations	44																															
	Payable net (41+42+43-44)	49	179																													179	
Technical provisions	Brought forward	Undiscounted	51	4638																												4638	
		Adjustment for discounting	52																														
	Carried forward	Undiscounted	53	3763																													3763
		Adjustment for discounting	54																														
	Increase (decrease) in the financial year (53-54-51+52)		59	(875)																													(875)
Balance on each underwriting year (19-29-39-49-59)		69	51																													51	

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses
Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**
Total primary (direct) and facultative commercial lines liability business

			Company registration number		GL/UK/CM		day month year			Units		Category number																
			R24		38921		GL		31	12	2010	£000		270														
Underwriting year ended			Prior underwriting years		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns											
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	99	99		
Premiums written	Gross amount	11																										
	Reinsurers' share	12																										
	Net (11-12)	19																										
Claims paid	Gross amount	21	370																							370		
	Reinsurers' share	22																										
	Net (21-22)	29	370																							370		
Claims management costs		39																										
Net operating expenses	Commissions	41																										
	Other acquisition expenses	42	5																								5	
	Administrative expenses	43	100																								100	
	Reinsurers' commissions and profit participations	44																										
	Payable net (41+42+43-44)	49	105																								105	
Technical provisions	Brought forward	Undiscounted	51	4311																							4311	
		Adjustment for discounting	52																									
	Carried forward	Undiscounted	53	3655																								3655
		Adjustment for discounting	54																									
	Increase (decrease) in the financial year (53-54-51+52)		59	(656)																								(656)
Balance on each underwriting year (19-29-39-49-59)		69	181																								181	

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expensesName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Balance of all primary (direct) and facultative business**

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number								
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	R24	38921	GL	31	12	2010	£000	409										
Premiums written	Gross amount	11																																							
	Reinsurers' share	12																																							
	Net (11-12)	19																																							
Claims paid	Gross amount	21	275																																		275				
	Reinsurers' share	22																																							
	Net (21-22)	29	275																																			275			
Claims management costs		39																																							
Net operating expenses	Commissions	41																																							
	Other acquisition expenses	42																																							
	Administrative expenses	43	74																																					74	
	Reinsurers' commissions and profit participations	44																																							
	Payable net (41+42+43-44)	49	74																																					74	
Technical provisions	Brought forward	Undiscounted	51	327																																				327	
		Adjustment for discounting	52																																						
	Carried forward	Undiscounted	53	108																																					108
		Adjustment for discounting	54																																						
	Increase (decrease) in the financial year (53-54-51+52)		59	(219)																																				(219)	
Balance on each underwriting year (19-29-39-49-59)		69	(130)																																				(130)		

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expensesName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total non-proportional treaty reinsurance business accepted**

			Company registration number		GL/UK/CM		day month year			Units		Category number														
			R24		38921		GL		31	12	2010	£000		500												
Underwriting year ended			Prior underwriting years		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns									
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	99	99
Premiums written	Gross amount	11																								
	Reinsurers' share	12																								
	Net (11-12)	19																								
Claims paid	Gross amount	21	287																							287
	Reinsurers' share	22																								
	Net (21-22)	29	287																							287
Claims management costs		39																								
Net operating expenses	Commissions	41																								
	Other acquisition expenses	42	3																							3
	Administrative expenses	43	77																							77
	Reinsurers' commissions and profit participations	44																								
	Payable net (41+42+43-44)	49	80																							80
Technical provisions	Brought forward	Undiscounted	51	1897																						1897
		Adjustment for discounting	52																							
	Carried forward	Undiscounted	53	1655																						1655
		Adjustment for discounting	54																							
	Increase (decrease) in the financial year (53-54-51+52)		59	(242)																						(242)
Balance on each underwriting year (19-29-39-49-59)		69	(125)																						(125)	

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expensesName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Balance of all treaty reinsurance accepted business**

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number			
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	2010	£000	709	99	99				
Premiums written	Gross amount	11																														
	Reinsurers' share	12																														
	Net (11-12)	19																														
Claims paid	Gross amount	21	3																											3		
	Reinsurers' share	22																														
	Net (21-22)	29	3																											3		
Claims management costs		39																														
Net operating expenses	Commissions	41																														
	Other acquisition expenses	42																														
	Administrative expenses	43	1																												1	
	Reinsurers' commissions and profit participations	44																														
	Payable net (41+42+43-44)	49	1																												1	
Technical provisions	Brought forward	Undiscounted	51	8																											8	
		Adjustment for discounting	52																													
	Carried forward	Undiscounted	53	41																												41
		Adjustment for discounting	54																													
	Increase (decrease) in the financial year (53-54-51+52)		59	33																												33
Balance on each underwriting year (19-29-39-49-59)		69	(37)																												(37)	

General insurance business (underwriting year accounting) : Analysis of technical provisionsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total business**

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		R25		38921		GL		31 12 2010			£000		001		Total all previous columns	
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	10	99	99									
Reported claims outstanding	Gross amount	11	2959																																2959		
	Reinsurers' share	12																																			
Claims incurred but not reported	Gross amount	13	2500																																	2500	
	Reinsurers' share	14																																			
Claims management costs		15																																			
Adjustment for discounting	Gross amount	16																																			
	Reinsurers' share	17																																			
	Claims management costs	18																																			
Allocation to/(from) another risk category of anticipated surplus		19																																			
Balance of the fund		20																																			
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	5459																																		5459
Provision for unearned premiums		22																																			
Provision for unexpired risks		23																																			
Deferred acquisition costs		24																																			
Other technical provisions (particulars to be specified by way of supplementary note)		25																																			
Total (21+22+23-24+25)		29	5459																																		5459

General insurance business (underwriting year accounting) : Analysis of technical provisions

 Name of insurer **Guardian Assurance plc**

Global business

 Financial year ended **31 December 2010**
Total primary (direct) and facultative business

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number	
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	06	31	12	2010	£000	002	Total all previous columns			
Reported claims outstanding	Gross amount	11	2018																														2018	
	Reinsurers' share	12																																
Claims incurred but not reported	Gross amount	13	1745																														1745	
	Reinsurers' share	14																																
Claims management costs		15																																
Adjustment for discounting	Gross amount	16																																
	Reinsurers' share	17																																
	Claims management costs	18																																
Allocation to/(from) another risk category of anticipated surplus		19																																
Balance of the fund		20																																
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	3763																															3763
Provision for unearned premiums		22																																
Provision for unexpired risks		23																																
Deferred acquisition costs		24																																
Other technical provisions (particulars to be specified by way of supplementary note)		25																																
Total (21+22+23-24+25)		29	3763																															3763

General insurance business (underwriting year accounting) : Analysis of technical provisions

 Name of insurer **Guardian Assurance plc**

Global business

 Financial year ended **31 December 2010**
Total treaty reinsurance accepted business

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		R25		38921		GL		31 12 2010			£000		003		Total all previous columns
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	10	99	99								
Reported claims outstanding	Gross amount	11	941																															941		
	Reinsurers' share	12																																		
Claims incurred but not reported	Gross amount	13	755																															755		
	Reinsurers' share	14																																		
Claims management costs		15																																		
Adjustment for discounting	Gross amount	16																																		
	Reinsurers' share	17																																		
	Claims management costs	18																																		
Allocation to/(from) another risk category of anticipated surplus		19																																		
Balance of the fund		20																																		
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	1696																																1696	
Provision for unearned premiums		22																																		
Provision for unexpired risks		23																																		
Deferred acquisition costs		24																																		
Other technical provisions (particulars to be specified by way of supplementary note)		25																																		
Total (21+22+23-24+25)		29	1696																																1696	

General insurance business (underwriting year accounting) : Analysis of technical provisions

 Name of insurer **Guardian Assurance plc**

Global business

 Financial year ended **31 December 2010**
Total primary (direct) and facultative commercial lines liability business

Company registration number GL/UK/CM day month year Units Category number

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	99	99	99	99	99	99
Reported claims outstanding	Gross amount	11	1996																										1996
	Reinsurers' share	12																											
Claims incurred but not reported	Gross amount	13	1659																										1659
	Reinsurers' share	14																											
Claims management costs		15																											
Adjustment for discounting	Gross amount	16																											
	Reinsurers' share	17																											
	Claims management costs	18																											
Allocation to/(from) another risk category of anticipated surplus		19																											
Balance of the fund		20																											
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	3655																										3655
Provision for unearned premiums		22																											
Provision for unexpired risks		23																											
Deferred acquisition costs		24																											
Other technical provisions (particulars to be specified by way of supplementary note)		25																											
Total (21+22+23-24+25)		29	3655																										3655

General insurance business (underwriting year accounting) : Analysis of technical provisionsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Balance of all primary (direct) and facultative business**Company registration number
GL/UK/CM
day month year
Units
Category number

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		R25		38921		GL		31 12 2010			£000		409		Total all previous columns
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	06	12	07	12	08	12	09	12	10	99	
Reported claims outstanding	Gross amount	11	22																															22		
	Reinsurers' share	12																																		
Claims incurred but not reported	Gross amount	13	86																															86		
	Reinsurers' share	14																																		
Claims management costs		15																																		
Adjustment for discounting	Gross amount	16																																		
	Reinsurers' share	17																																		
	Claims management costs	18																																		
Allocation to/(from) another risk category of anticipated surplus		19																																		
Balance of the fund		20																																		
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	108																																108	
Provision for unearned premiums		22																																		
Provision for unexpired risks		23																																		
Deferred acquisition costs		24																																		
Other technical provisions (particulars to be specified by way of supplementary note)		25																																		
Total (21+22+23-24+25)		29	108																																108	

General insurance business (underwriting year accounting) : Analysis of technical provisionsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Total non-proportional treaty reinsurance business accepted**

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number		
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	R25		38921		GL		31	12	2010	£000		500
Reported claims outstanding	Gross amount	11	919																															919	
	Reinsurers' share	12																																	
Claims incurred but not reported	Gross amount	13	736																																736
	Reinsurers' share	14																																	
Claims management costs		15																																	
Adjustment for discounting	Gross amount	16																																	
	Reinsurers' share	17																																	
	Claims management costs	18																																	
Allocation to/(from) another risk category of anticipated surplus		19																																	
Balance of the fund		20																																	
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	1655																																1655
Provision for unearned premiums		22																																	
Provision for unexpired risks		23																																	
Deferred acquisition costs		24																																	
Other technical provisions (particulars to be specified by way of supplementary note)		25																																	
Total (21+22+23-24+25)		29	1655																																1655

General insurance business (underwriting year accounting) : Analysis of technical provisionsName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010****Balance of all treaty reinsurance accepted business**

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number	
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	06	31	12	2010	£000	709				
Reported claims outstanding	Gross amount	11	22																														22	
	Reinsurers' share	12																																
Claims incurred but not reported	Gross amount	13	19																														19	
	Reinsurers' share	14																																
Claims management costs		15																																
Adjustment for discounting	Gross amount	16																																
	Reinsurers' share	17																																
	Claims management costs	18																																
Allocation to/(from) another risk category of anticipated surplus		19																																
Balance of the fund		20																																
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	41																															41
Provision for unearned premiums		22																																
Provision for unexpired risks		23																																
Deferred acquisition costs		24																																
Other technical provisions (particulars to be specified by way of supplementary note)		25																																
Total (21+22+23-24+25)		29	41																															41

Long-term insurance business : Revenue account

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

Earned premiums	11	71996	43003
Investment income receivable before deduction of tax	12	354827	294505
Increase (decrease) in the value of non-linked assets brought into account	13	75849	(278784)
Increase (decrease) in the value of linked assets	14	34697	45457
Other income	15	11212	9822
Total income	19	548581	114003

Expenditure

Claims incurred	21	304970	302376
Expenses payable	22	18685	15086
Interest payable before the deduction of tax	23		
Taxation	24	17905	2568
Other expenditure	25		
Transfer to (from) non technical account	26	8503	9268
Total expenditure	29	350063	329298

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	198518	(215295)
Fund brought forward	49	3892440	4107735
Fund carried forward (39+49)	59	4090958	3892440

Long-term insurance business : Revenue account

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

Earned premiums	11	71797	42746
Investment income receivable before deduction of tax	12	354064	293724
Increase (decrease) in the value of non-linked assets brought into account	13	75573	(279278)
Increase (decrease) in the value of linked assets	14	34697	45457
Other income	15	11212	9822
Total income	19	547343	112471

Expenditure

Claims incurred	21	303175	300247
Expenses payable	22	18536	15063
Interest payable before the deduction of tax	23		
Taxation	24	17698	2485
Other expenditure	25		
Transfer to (from) non technical account	26	8503	7768
Total expenditure	29	347912	325563

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	199431	(213092)
Fund brought forward	49	3877081	4090173
Fund carried forward (39+49)	59	4076512	3877081

Long-term insurance business : Revenue account

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

Earned premiums	11	199	257
Investment income receivable before deduction of tax	12	763	781
Increase (decrease) in the value of non-linked assets brought into account	13	276	494
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	1238	1532

Expenditure

Claims incurred	21	1795	2129
Expenses payable	22	149	23
Interest payable before the deduction of tax	23		
Taxation	24	207	83
Other expenditure	25		
Transfer to (from) non technical account	26		1500
Total expenditure	29	2151	3735

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(913)	(2203)
Fund brought forward	49	15359	17562
Fund carried forward (39+49)	59	14446	15359

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	46248	14537	1052	61837	69740
Single premiums	12	29351	20775	62	50188	50473

Reinsurance - external

Regular premiums	13	925	101	6	1032	(4579)
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	4572	34425		38997	81789
Single premiums	16					

Net of reinsurance

Regular premiums	17	40751	(19989)	1046	21808	(7470)
Single premiums	18	29351	20775	62	50188	50473

Total

Gross	19	75599	35312	1114	112025	120213
Reinsurance	20	5497	34526	6	40029	77210
Net	21	70102	786	1108	71996	43003

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	46054	14537	1026	61617	69481
Single premiums	12	29351	20775	62	50188	50473

Reinsurance - external

Regular premiums	13	924	101		1025	(4567)
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	4558	34425		38983	81775
Single premiums	16					

Net of reinsurance

Regular premiums	17	40572	(19989)	1026	21609	(7727)
Single premiums	18	29351	20775	62	50188	50473

Total

Gross	19	75405	35312	1088	111805	119954
Reinsurance	20	5482	34526		40008	77208
Net	21	69923	786	1088	71797	42746

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	194		26	220	259
Single premiums	12					

Reinsurance - external

Regular premiums	13	1		6	7	(12)
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	14			14	14
Single premiums	16					

Net of reinsurance

Regular premiums	17	179		20	199	257
Single premiums	18					

Total

Gross	19	194		26	220	259
Reinsurance	20	15		6	21	2
Net	21	179		20	199	257

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Assurance plc**
Total business / subfund **Summary**
Financial year ended **31 December 2010**
Units **£000**

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

Gross

Death or disability lump sums	11	17520	4974	567	23061	24161
Disability periodic payments	12	6320	33	248	6601	7268
Surrender or partial surrender	13	43415	172340	880	216635	197056
Annuity payments	14	2910	135327	534	138771	132426
Lump sums on maturity	15	70587	323	2180	73090	81453
Total	16	140752	312997	4409	458158	442364

Reinsurance - external

Death or disability lump sums	21	481	251		732	(341)
Disability periodic payments	22	1129		29	1158	(27)
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					16
Total	26	1610	251	29	1890	(352)

Reinsurance - intra-group

Death or disability lump sums	31	1864	1207		3071	2888
Disability periodic payments	32	596	31	8	635	689
Surrender or partial surrender	33		40353		40353	32862
Annuity payments	34		107163		107163	103826
Lump sums on maturity	35		76		76	75
Total	36	2460	148830	8	151298	140340

Net of reinsurance

Death or disability lump sums	41	15175	3516	567	19258	21614
Disability periodic payments	42	4595	2	211	4808	6606
Surrender or partial surrender	43	43415	131987	880	176282	164194
Annuity payments	44	2910	28164	534	31608	28600
Lump sums on maturity	45	70587	247	2180	73014	81362
Total	46	136682	163916	4372	304970	302376

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Death or disability lump sums	11	17520	4974	567	23061	24161
Disability periodic payments	12	3565	33	116	3714	3944
Surrender or partial surrender	13	43415	172340	880	216635	197056
Annuity payments	14	2910	135327	534	138771	132426
Lump sums on maturity	15	70587	323	2180	73090	81453
Total	16	137997	312997	4277	455271	439040

Reinsurance - external

Death or disability lump sums	21	481	251		732	(341)
Disability periodic payments	22	647			647	(577)
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					16
Total	26	1128	251		1379	(902)

Reinsurance - intra-group

Death or disability lump sums	31	1864	1207		3071	2888
Disability periodic payments	32	23	31		54	44
Surrender or partial surrender	33		40353		40353	32862
Annuity payments	34		107163		107163	103826
Lump sums on maturity	35		76		76	75
Total	36	1887	148830		150717	139695

Net of reinsurance

Death or disability lump sums	41	15175	3516	567	19258	21614
Disability periodic payments	42	2895	2	116	3013	4477
Surrender or partial surrender	43	43415	131987	880	176282	164194
Annuity payments	44	2910	28164	534	31608	28600
Lump sums on maturity	45	70587	247	2180	73014	81362
Total	46	134982	163916	4277	303175	300247

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Death or disability lump sums	11				
Disability periodic payments	12	2755	132	2887	3324
Surrender or partial surrender	13				
Annuity payments	14				
Lump sums on maturity	15				
Total	16	2755	132	2887	3324

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22	482	29	511	550
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26	482	29	511	550

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32	573	8	581	645
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
Total	36	573	8	581	645

Net of reinsurance

Death or disability lump sums	41				
Disability periodic payments	42	1700	95	1795	2129
Surrender or partial surrender	43				
Annuity payments	44				
Lump sums on maturity	45				
Total	46	1700	95	1795	2129

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	109	901		1010	1183
Commission - other	12	1267	83	76	1426	1157
Management - acquisition	13	17	49		66	71
Management - maintenance	14	6947	15791	30	22768	19083
Management - other	15					
Total	16	8340	16824	106	25270	21494

Reinsurance - external

Commission - acquisition	21		8		8	
Commission - other	22	13		1	14	(412)
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	13	8	1	22	(412)

Reinsurance - intra-group

Commission - acquisition	31	78	276		354	419
Commission - other	32	212	26		238	215
Management - acquisition	33	12	31		43	47
Management - maintenance	34	724	5204		5928	6139
Management - other	35					
Total	36	1026	5537		6563	6820

Net of reinsurance

Commission - acquisition	41	31	617		648	764
Commission - other	42	1042	57	75	1174	1354
Management - acquisition	43	5	18		23	24
Management - maintenance	44	6223	10587	30	16840	12944
Management - other	45					
Total	46	7301	11279	105	18685	15086

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	109	901		1010	1183
Commission - other	12	1265	83	76	1424	1160
Management - acquisition	13	17	49		66	71
Management - maintenance	14	6799	15791	28	22618	19051
Management - other	15					
Total	16	8190	16824	104	25118	21465

Reinsurance - external

Commission - acquisition	21		8		8	
Commission - other	22	13			13	(415)
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	13	8		21	(415)

Reinsurance - intra-group

Commission - acquisition	31	78	276		354	419
Commission - other	32	210	26		236	212
Management - acquisition	33	12	31		43	47
Management - maintenance	34	724	5204		5928	6139
Management - other	35					
Total	36	1024	5537		6561	6817

Net of reinsurance

Commission - acquisition	41	31	617		648	764
Commission - other	42	1042	57	76	1175	1363
Management - acquisition	43	5	18		23	24
Management - maintenance	44	6075	10587	28	16690	12912
Management - other	45					
Total	46	7153	11279	104	18536	15063

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12	2		2	(3)
Management - acquisition	13				
Management - maintenance	14	148	2	150	32
Management - other	15				
Total	16	150	2	152	29

Reinsurance - external

Commission - acquisition	21				
Commission - other	22		1	1	3
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26		1	1	3

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32	2		2	3
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36	2		2	3

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		(1)	(1)	(9)
Management - acquisition	43				
Management - maintenance	44	148	2	150	32
Management - other	45				
Total	46	148	1	149	23

Long-term insurance business : Linked funds balance sheet

Name of insurer **Guardian Assurance plc**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	330904	305261
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+13)	14	330904	305261
Provision for tax on unrealised capital gains	15	1986	340
Secured and unsecured loans	16		5
Other liabilities	17	1690	1809
Total net assets (14-15-16-17)	18	327228	303107

Directly held linked assets

Value of directly held linked assets	21	54870	45641
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Total

Value of directly held linked assets and units held (18+21)	31	382098	348748
Surplus units	32	727	344
Deficit units	33		
Net unit liability (31-32+33)	34	381371	348404

Long-term insurance business : Revenue account for internal linked fundsName of insurer **Guardian Assurance plc**

Total business

Financial year ended **31 December 2010**Units **£000**

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

Income

Value of total creation of units	11	9298	4782
Investment income attributable to the funds before deduction of tax	12	8270	8689
Increase (decrease) in the value of investments in the financial year	13	34697	43377
Other income	14	240	489
Total income	19	52505	57337

Expenditure

Value of total cancellation of units	21	24151	15133
Charges for management	22	1132	968
Charges in respect of tax on investment income	23	1264	310
Taxation on realised capital gains	24	100	(605)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	1534	935
Other expenditure	26	203	164
Total expenditure	29	28384	16905

Increase (decrease) in funds in financial year (19-29)	39	24121	40432
Internal linked fund brought forward	49	303107	262675
Internal linked funds carried forward (39+49)	59	327228	303107

Long-term insurance business : Summary of new businessName of insurer **Guardian Assurance plc**

Total business

Financial year ended **31 December 2010**Units **£000**

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

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	16	2		18	29
Single premium business	12					
Total	13	16	2		18	29

**Amount of new regular
premiums**

Direct insurance business	21	25	459		484	1645
External reinsurance	22	70	16		86	230
Intra-group reinsurance	23					
Total	24	95	475		570	1875

**Amount of new single
premiums**

Direct insurance business	25		19084		19084	22668
External reinsurance	26					
Intra-group reinsurance	27					
Total	28		19084		19084	22668

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Assurance plc

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	9	9		
330	Decreasing term assurance	7	1		
720	Life property linked endowment regular premium - target cash		15		

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Assurance plc

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
710	Life property linked whole life regular premium		70		

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Assurance plc

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
165	Conventional deferred annuity with-profits		3		
175	Group conventional deferred annuity with-profits				
555	Group deposit administration with-profits		40		1
725	Individual pensions property linked	2	416		247
735	Group money purchase pensions property linked				12
745	DWP National Insurance rebates property linked				18823

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Assurance plc

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
725	Individual pensions property linked		16		

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

Name of insurer **Guardian Assurance plc**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	384507	384507	17447	3.00	
Other fixed interest securities	13	841025	841025	49617	5.87	
Variable interest securities	14	12935	12935	849	6.19	
UK listed equity shares	15	340906	340906	8347	5.44	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	25432	25432	69	0.28	
Total	19	1604805	1604805	76329	5.01	

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

Land and buildings	21					
Approved fixed interest securities	22	765643	765643	34760	3.12	7.19
Other fixed interest securities	23	1586247	1586247	93600	5.73	9.70
Variable interest securities	24	18606	18606	1221	6.19	4.17
UK listed equity shares	25	794776	795279	19473	5.44	16.50
Non-UK listed equity shares	26					
Unlisted equity shares	27	19187	19187			62.23
Other assets	28	377370	376867	1046	0.28	12.86
Total	29	3561829	3561829	150100	4.50	11.27

Overall return on with-profits assets

Post investment costs but pre-tax	31					12.11
Return allocated to non taxable 'asset shares'	32					11.20
Return allocated to taxable 'asset shares'	33					11.60

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

Name of insurer **Guardian Assurance plc**
 Category of assets **11 Life**
 Financial year ended **31 December 2010**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	381993	381993	17342	3.01	
Other fixed interest securities	13	829686	829686	48957	5.88	
Variable interest securities	14	12935	12935	849	6.19	
UK listed equity shares	15	340906	340906	8347	5.44	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	24796	24796	69	0.28	
Total	19	1590316	1590316	75564	5.01	

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

Land and buildings	21					
Approved fixed interest securities	22	765643	765643	34760	3.12	7.19
Other fixed interest securities	23	1586247	1586247	93600	5.73	9.70
Variable interest securities	24	18606	18606	1221	6.19	4.17
UK listed equity shares	25	794776	795279	19473	5.44	16.50
Non-UK listed equity shares	26					
Unlisted equity shares	27	19187	19187			62.23
Other assets	28	377370	376867	1046	0.28	12.86
Total	29	3561829	3561829	150100	4.50	11.27

Overall return on with-profits assets

Post investment costs but pre-tax	31					12.11
Return allocated to non taxable 'asset shares'	32					11.20
Return allocated to taxable 'asset shares'	33					11.60

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

Name of insurer **Guardian Assurance plc**
 Category of assets **12 Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	2514	2514	105	2.23	
Other fixed interest securities	13	11339	11339	660	5.20	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	636	636			
Total	19	14489	14489	765	4.46	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Guardian Assurance plc**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	509746	8.90	2.30	2.30

Other approved fixed interest securities	21	640404	10.98	3.69	3.59
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Other fixed interest securities

AAA/Aaa	31	197594	9.45	4.02	3.89
AA/Aa	32	422051	10.09	5.08	4.62
A/A	33	1077521	7.16	5.32	4.58
BBB/Baa	34	667852	7.83	5.96	4.35
BB/Ba	35	48774	8.43	9.82	6.52
B/B	36	3566	7.42	26.14	9.78
CCC/Caa	37	9915	5.35	81.98	7.31
Other (including unrated)	38				
Total other fixed interest securities	39	2427273	8.06	5.78	4.53

Approved variable interest securities	41				
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Other variable interest securities	51	31541	1.65	6.19	5.64
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Total (11+21+39+41+51)	61	3608964	8.64	4.92	4.06
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Guardian Assurance plc**
 Category of assets **11 Life**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	508619	8.90	2.30	2.30

Other approved fixed interest securities	21	639017	11.00	3.70	3.60
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Other fixed interest securities

AAA/Aaa	31	197594	9.45	4.02	3.89
AA/Aa	32	416034	10.18	5.10	4.64
A/A	33	1074235	7.16	5.32	4.58
BBB/Baa	34	666606	7.83	5.95	4.34
BB/Ba	35	48774	8.43	9.82	6.52
B/B	36	2776	8.33	30.03	10.84
CCC/Caa	37	9915	5.35	81.98	7.31
Other (including unrated)	38				
Total other fixed interest securities	39	2415934	8.07	5.78	4.53

Approved variable interest securities	41				
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Other variable interest securities	51	31541	1.65	6.19	5.64
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Total (11+21+39+41+51)	61	3595111	8.65	4.92	4.06
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Guardian Assurance plc**
 Category of assets **12 Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1127	10.22	3.90	3.90

Other approved fixed interest securities	21	1387	1.87	0.87	0.87
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Other fixed interest securities

AAA/Aaa	31				
AA/Aa	32	6017	4.02	3.36	2.95
A/A	33	3286	6.77	5.46	4.73
BBB/Baa	34	1246	8.53	8.80	7.20
BB/Ba	35				
B/B	36	790	4.24	12.46	6.05
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	11339	5.33	5.20	4.15

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	13853	5.38	4.66	3.80
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Long-term insurance business : Summary of mathematical reservesName of insurer **Guardian Assurance plc**Total business / subfund **Summary**Financial year ended **31 December 2010**Units **£000**

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

Gross

Form 51 - with-profits	11	346139	1271218	19792	1637149	1648486
Form 51 - non-profit	12	87030	2372008	15808	2474845	2214349
Form 52	13	42230	522473		564703	589050
Form 53 - linked	14	349354	1215864	236	1565454	1443365
Form 53 - non-linked	15	70384	8489	2	78875	93018
Form 54 - linked	16					
Form 54 - non-linked	17	3087			3087	3104
Total	18	898225	5390051	35838	6324113	5991372

Reinsurance - external

Form 51 - with-profits	21	664		19	683	642
Form 51 - non-profit	22	10902	124	272	11298	11288
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	10			10	10
Form 54 - linked	26					
Form 54 - non-linked	27	271			271	237
Total	28	11847	124	290	12261	12178

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	5682	1038904	2	1044589	998671
Form 52	33	24	632		656	784
Form 53 - linked	34		1184082		1184082	1094962
Form 53 - non-linked	35	772	2445		3217	3825
Form 54 - linked	36					
Form 54 - non-linked	37	190			190	206
Total	38	6668	2226064	2	2232734	2098447

Net of reinsurance

Form 51 - with-profits	41	345475	1271218	19774	1636466	1647844
Form 51 - non-profit	42	70446	1332979	15533	1418959	1204390
Form 52	43	42207	521840		564047	588266
Form 53 - linked	44	349354	31782	236	381371	348403
Form 53 - non-linked	45	69602	6044	2	75648	89183
Form 54 - linked	46					
Form 54 - non-linked	47	2626			2626	2661
Total	48	879710	3163863	35545	4079118	3880747

Long-term insurance business : Summary of mathematical reservesName of insurer **Guardian Assurance plc**Total business / subfund **Life**Financial year ended **31 December 2010**Units **£000**

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

Gross

Form 51 - with-profits	11	346139	1271218	19792	1637149	1648486
Form 51 - non-profit	12	68814	2372008	14836	2455658	2193792
Form 52	13	42230	522473		564703	589050
Form 53 - linked	14	349354	1215864	236	1565454	1443365
Form 53 - non-linked	15	70384	8489	2	78875	93018
Form 54 - linked	16					
Form 54 - non-linked	17	3087			3087	3104
Total	18	880009	5390051	34867	6304926	5970814

Reinsurance - external

Form 51 - with-profits	21	664		19	683	642
Form 51 - non-profit	22	6264	124		6388	6437
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	10			10	10
Form 54 - linked	26					
Form 54 - non-linked	27	271			271	237
Total	28	7209	124	19	7352	7326

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	2547	1038904		1041451	995281
Form 52	33	24	632		656	784
Form 53 - linked	34		1184082		1184082	1094962
Form 53 - non-linked	35	772	2445		3217	3825
Form 54 - linked	36					
Form 54 - non-linked	37	190			190	206
Total	38	3532	2226064		2229596	2095058

Net of reinsurance

Form 51 - with-profits	41	345475	1271218	19774	1636466	1647844
Form 51 - non-profit	42	60003	1332979	14836	1407819	1192073
Form 52	43	42207	521840		564047	588266
Form 53 - linked	44	349354	31782	236	381371	348403
Form 53 - non-linked	45	69602	6044	2	75648	89183
Form 54 - linked	46					
Form 54 - non-linked	47	2626			2626	2661
Total	48	869267	3163863	34848	4067978	3868430

Long-term insurance business : Summary of mathematical reservesName of insurer **Guardian Assurance plc**Total business / subfund **Permanent Health**Financial year ended **31 December 2010**Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	18216	971	19187	20558
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	18216	971	19187	20558

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	4637	272	4909	4852
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	4637	272	4909	4852

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32	3136	2	3138	3389
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38	3136	2	3138	3389

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	10443	697	11140	12317
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	10443	697	11140	12317

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	7242	76607	1041				46675
120	Conventional endowment with-profits OB savings	211	1202	9				1134
125	Conventional endowment with-profits OB target cash	17423	293342	8569				250047
125	Conventional endowment with-profits OB target cash - Countrywide Assured		58084	1813				47203
155	Conventional pensions endowment with-profits	29	4					158
165	Conventional deferred annuity with-profits - Pension Plus	2	17					902
175	Group conventional deferred annuity with-profits		2					20
300	Regular premium non-profit WL/EA OB	6588	21578	156				12529
325	Level term assurance	6318	429535	1366				4105
325	Level term assurance - convertible	2022	120857	288				531
325	Level term assurance - IBP	4221	356762	652				1561
330	Decreasing term assurance	7070	163003	1461				207
330	Decreasing term assurance - IBP	1250	55169	240				23
335	Decreasing term assurance (rider benefits)		50139	517				1853
345	Accelerated critical illness (reviewable premiums) - Homeguard Plus	1198	45614	273				160

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

Name of insurer **Guardian Assurance plc**
Total business / subfund **Life**
Financial year ended **31 December 2010**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
345	Accelerated critical illness (reviewable premiums) - IBP	622	35642	209				1196
345	Accelerated critical illness (reviewable premiums) - LICl	644	50949	221				1357
355	Stand-alone critical illness (reviewable premiums) - Critical Illness Plan	1110	108076	458				2253
355	Stand-alone critical illness (reviewable premiums) - IBP	290	23980	105				727
365	Income protection non-profit (reviewable premiums) - IBP	3	129	2				13
380	Miscellaneous protection rider		8025	15				12
380	Miscellaneous protection rider - IBP		32307	31				250
385	Income protection claims in payment							112
390	Deferred annuity non-profit	415	97					1787
395	Annuity non-profit (PLA)	2052	1893					12345
410	Group life - GSB		100355	1094				207
415	Collective life		6130	43				43
420	Group income protection		534	12				122
425	Group income protection claims in payment							14509
435	Miscellaneous non-profit	569	15661	115				147

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		1194	6				664
300	Regular premium non-profit WL/EA OB		1950					815
325	Level term assurance		53611	51				454
325	Level term assurance - convertible		10638	17				35
325	Level term assurance - IBP		64692	99				212
330	Decreasing term assurance		246	3				2
330	Decreasing term assurance - IBP		7401	26				2
335	Decreasing term assurance (rider benefits)		337	4				2
345	Accelerated critical illness (reviewable premiums) - Homeguard Plus		168	1				2
345	Accelerated critical illness (reviewable premiums) - IBP		20095	106				652
345	Accelerated critical illness (reviewable premiums) - LICl		684	4				24
355	Stand-alone critical illness (reviewable premiums) - Critical Illness Plan		5970	25				202
355	Stand-alone critical illness (reviewable premiums) - IBP		14196	54				405
365	Income protection non-profit (reviewable premiums) - IBP		9					1
380	Miscellaneous protection rider		258	8				11

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
380	Miscellaneous protection rider - IBP		25868	14				139
395	Annuity non-profit (PLA)							4
425	Group income protection claims in payment							3301
435	Miscellaneous non-profit		13					

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance - IBP		204449	387				944
330	Decreasing term assurance - IBP		33438	150				15
345	Accelerated critical illness (reviewable premiums) - IBP		10883	72				381
355	Stand-alone critical illness (reviewable premiums) - IBP		6849	36				226
365	Income protection non-profit (reviewable premiums) - IBP		84	2				8
380	Miscellaneous protection rider - IBP		14163	12				75
425	Group income protection claims in payment							768
440	Additional reserves non-profit OB							130

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

Name of insurer **Guardian Assurance plc**
Total business / subfund **Life**
Financial year ended **31 December 2010**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	2	11					11
120	Conventional endowment with-profits OB savings	3	75	1				60
155	Conventional pensions endowment with-profits	5	2					47
165	Conventional deferred annuity with-profits		18					138
165	Conventional deferred annuity with-profits - Countrywide Assured		119	5				1245
165	Conventional deferred annuity with-profits - Participating Pension	58	74	1				911
165	Conventional deferred annuity with-profits - Pension Plus	19843	106247	226				1064361
165	Conventional deferred annuity with-profits - Personal Pension	9821	21418	868				165464
165	Conventional deferred annuity with-profits - Retirement Pension	2	2					21
175	Group conventional deferred annuity with-profits							2
175	Group conventional deferred annuity with-profits - chargeable rates		1281					15225
175	Group conventional deferred annuity with-profits - Pension Plus		2174	192				23734
300	Regular premium non-profit WL/EA OB	18	42					83
325	Level term assurance	972	176614	147				5344
330	Decreasing term assurance	371	2644	37				2

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
380	Miscellaneous protection rider		6644	2				2115
390	Deferred annuity non-profit	5811	12557					133160
390	Deferred annuity non-profit - Pension Plus	2721	21392					222203
390	Deferred annuity non-profit - Retirement Bond	6	14					200
400	Annuity non-profit (CPA)	39720	59992					912986
400	Annuity non-profit (CPA) - GPM		718					8649
400	Annuity non-profit (CPA) - reassured to SE	41363	74860					1038904
410	Group life		39187	138				138
411	Group death in service dependants' annuities		1258	66				66
435	Miscellaneous non-profit	482	10592	4				651
440	Additional reserves non-profit OB							47507

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
380	Miscellaneous protection rider		197	1				1
400	Annuity non-profit (CPA)		13					123

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	95	1377	10				863
120	Conventional endowment with-profits OB savings	55	1765	49				1531
155	Conventional pensions endowment with-profits	2	1					41
165	Conventional deferred annuity with-profits - Pension Plus	308	1375	139				17357
300	Regular premium non-profit WL/EA OB	22	11522	236				6709
325	Level term assurance	32	2162	7				27
325	Level term assurance - convertible	5	628	2				9
330	Decreasing term assurance	31	285	3				1
335	Decreasing term assurance (rider benefits)		297	2				3
380	Miscellaneous protection rider		19					1
395	Annuity non-profit (PLA)	202	574					7434
415	Collective life		383					292
435	Miscellaneous non-profit	1	2346	49				360

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
360	Income protection non-profit (guaranteed premiums)	860	3244	74				544
380	Miscellaneous protection rider		328					
385	Income protection claims in payment							808
425	Group income protection claims in payment							16668
435	Miscellaneous non-profit		9					
440	Additional reserves non-profit OB							195

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
360	Income protection non-profit (guaranteed premiums)		461	17				45
385	Income protection claims in payment							21
425	Group income protection claims in payment							4571

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
360	Income protection non-profit (guaranteed premiums)		534	12				122
385	Income protection claims in payment							112
425	Group income protection claims in payment							2901

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
360	Income protection non-profit (guaranteed premiums)	171	983	24				315
380	Miscellaneous protection rider		359					
385	Income protection claims in payment							354
420	Group income protection		22					11
425	Group income protection claims in payment							291

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
360	Income protection non-profit (guaranteed premiums)		376	9				106
385	Income protection claims in payment							147
425	Group income protection claims in payment							19

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
425	Group income protection claims in payment							2

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP whole life regular premium - Freedom	263	21576	190	471	471	10	481
505	Life UWP whole life regular premium - Freedom composite UWP element				9505	9505		9505
505	Life UWP whole life regular premium - Freedom For Homebuyers	1922	65906	1824	21691	21691	1	21692
505	Life UWP whole life regular premium - Freedom Lifetime	11	223	7	52	52		52
510	Life UWP endowment regular premium - savings - Freedom Capital Builder	17	375	9	137	137		137
515	Life UWP endowment regular premium - target cash - Freedom Mortgage	1205	31283	761	10319	10319	2	10321
595	Income protection rider		1392				29	29
605	Miscellaneous protection rider						14	14

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP whole life regular premium - Freedom reinsurance to GLLA		43095	620			9	9
595	Income protection rider		461	8			5	5
605	Miscellaneous protection rider						10	10

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

Name of insurer **Guardian Assurance plc**
Total business / subfund **Life**
Financial year ended **31 December 2010**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP - Choices Company Account	289	3102	86	2902	2902	228	3131
525	Individual pensions UWP - Choices composite UWP element				138075	138075		138075
525	Individual pensions UWP - Choices Executive Account	105	2113	37	2095	2095	66	2162
525	Individual pensions UWP - Choices FSAVC	181	2084	73	1892	1892	4	1896
525	Individual pensions UWP - Choices Group Personal Pension	822	14433	68	14317	14317	320	14636
525	Individual pensions UWP - Choices In Scheme AVC	15	92	2	92	92	10	102
525	Individual pensions UWP - Choices Personal Pension	7604	156760	865	151801	151801	366	152167
525	Individual pensions UWP - Countrywide Assured Privilege		6037	90	6041	6041	3	6044
525	Individual pensions UWP - Countrywide Assured Privilege composite UWP element				4365	4365		4365
555	Group deposit administration with-profits - DPA		4709	70	4709	6209		6209
555	Group deposit administration with-profits - Pension Saver		84359	1354	84359	88559		88559
565	DWP National Insurance rebates UWP - Choices Protected Rights Only	8845	103889		103889	103889	1202	105090
580	Term assurance rider - Choices excess life cover		289	2	14	14	4	18
605	Miscellaneous protection rider						20	20

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

Name of insurer **Guardian Assurance plc**
Total business / subfund **Life**
Financial year ended **31 December 2010**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP - Choices reinsurance to GPM		3708	1934			619	619
605	Miscellaneous protection rider						14	14

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium - Countrywide Assured Portfolio		678		678	678		678
710	Life property linked whole life regular premium - Countrywide Assured Horizon		69167	512	1979	1979	217	2196
710	Life property linked whole life regular premium - Freedom	2382	210569	2226	5341	5341	81	5423
710	Life property linked whole life regular premium - Freedom For Homebuyers	8869	314060	8796	116256	116256	4	116260
710	Life property linked whole life regular premium - Freedom Lifetime	63	2078	55	434	434	2	436
710	Life property linked whole life regular premium - Guardhill	2099	50436	167	47308	37096	1018	38114
710	Life property linked whole life regular premium - Property Bond	421	6401	10	6401	6401	22	6424
715	Life property linked endowment regular premium - savings - Freedom Capital Builder	114	2527	65	846	846		846
715	Life property linked endowment regular premium - savings - Guardhill	956	19107	76	18743	17595	123	17718
720	Life property linked endowment regular premium - target cash - Countrywide Assured Enterprise		226183	5802	125638	125638	124	125762
720	Life property linked endowment regular premium - target cash - Freedom Mortgage	3540	100800	2415	36602	36602	4	36606
770	Term assurance rider		509252	1590			172	172
785	Income protection rider		28488	383			5475	5475
790	Miscellaneous protection rider		4196	138			736	736
795	Miscellaneous property linked - Countrywide Assured Tempus		24780	88	487	487	6	493

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
770	Term assurance rider		132247	529			6	6
785	Income protection rider		229	9			4	4
790	Miscellaneous protection rider			10				

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life property linked whole life regular premium - Freedom reinsurance to GLLA		240762	3029			108	108
785	Income protection rider		3528	71			664	664

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked - Choices Company Account	618	4367	144	2477	2477	452	2929
725	Individual pensions property linked - Choices Executive Account	413	8803	99	6926	6926	233	7159
725	Individual pensions property linked - Choices FSAVC	2862	36599	1066	31630	31630	61	31691
725	Individual pensions property linked - Choices Group Personal Pension	2154	38380	173	32207	32207	930	33137
725	Individual pensions property linked - Choices In Scheme AVC	237	2149	58	2105	2105	160	2265
725	Individual pensions property linked - Choices Personal Pension	42645	880885	7400	755866	755866	2040	757906
725	Individual pensions property linked - Countrywide Assured Privilege		36487	393	32161	32161	175	32336
735	Group money purchase pensions property linked		2857	15	2857	2857	143	3000
735	Group money purchase pensions property linked - MPP units from GPM		14992		14992	14992		14992
745	DWP National Insurance rebates property linked - Choices Protected Rights Only	30165	380216		334503	334503	4112	338615
790	Miscellaneous protection rider		1992	13	139	139	182	321

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked - Choices reassurance to GPM		32453	9659			2246	2246
725	Individual pensions property linked - Choices units to SE		1166233		1166233	1166233		1166233
735	Group money purchase pensions property linked - MPP reassurance to GPM						100	100
735	Group money purchase pensions property linked - MPP units to SE		17849		17849	17849		17849
790	Miscellaneous protection rider		4				99	99

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

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life property linked whole life regular premium - Guardhill	3	133	1	127	104	2	107
710	Life property linked whole life regular premium - Property Bond	2	57		57	57		57
715	Life property linked endowment regular premium - savings - Guardhill	6	81		80	74		74

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Guardian Assurance plc**
Subfund **Life**
Financial year ended **31 December 2010**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
WP UKL F51	348930	3.10	3.88	4.56
NP UKL F51 (i)	21707	3.10	3.88	4.56
NP UKL F51 (ii)	21324	3.90	3.90	4.56
WP UKP F51 (i)	167927	3.90	3.90	4.56
WP UKP F51 (ii)	1107930	3.90	3.90	4.56
NP UKP F51	1283139	3.90	3.90	4.56
UKP F52	425482	2.90	2.90	3.29
MISC	315937	n/a	n/a	n/a
Total	3692378			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Guardian Assurance plc**
Subfund **Permanent Health**
Financial year ended **31 December 2010**
Units **£000**

Product group		Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1		2	3	4	5
UK PHI Reg Premium F51	Discounted	377	n/a	3.25	3.72
UK PHI F51	Claims in Payment	9871	n/a	4.00	4.27
UK PHI F51	Non-Discounted	195	n/a		
OS PHI F51	Discounted	222	n/a	0.75	0.76
OS PHI F51	Claims in Payment	476	n/a	0.75	0.76
Total		11141			

Long-term insurance business : Distribution of surplus

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	4090957	3892440
Bonus payments in anticipation of a surplus	12	68135	61357
Transfer to non-technical account	13	8503	9268
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4167595	3963065
Mathematical reserves	21	4079120	3880748
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	88475	82316

Composition of surplus

Balance brought forward	31	3135	4951
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	85341	77365
Total	39	88475	82316

Distribution of surplus

Bonus paid in anticipation of a surplus	41	68135	61357
Cash bonuses	42		
Reversionary bonuses	43	8397	8557
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	76531	69914
Net transfer out of fund / part of fund	47	8503	9268
Total distributed surplus (46+47)	48	85035	79182
Surplus carried forward	49	3441	3135
Total (48+49)	59	88475	82316

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Life**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	4076511	3877082
Bonus payments in anticipation of a surplus	12	68135	61357
Transfer to non-technical account	13	8503	7768
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4153149	3946207
Mathematical reserves	21	4067979	3868431
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	85171	77776

Composition of surplus

Balance brought forward	31	94	39
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	85077	77737
Total	39	85171	77776

Distribution of surplus

Bonus paid in anticipation of a surplus	41	68135	61357
Cash bonuses	42		
Reversionary bonuses	43	8397	8557
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	76531	69914
Net transfer out of fund / part of fund	47	8503	7768
Total distributed surplus (46+47)	48	85035	77682
Surplus carried forward	49	136	94
Total (48+49)	59	85171	77776

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

Long-term insurance business : Distribution of surplus

Name of insurer **Guardian Assurance plc**
 Total business / subfund **Permanent Health**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	14445	15358
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		1500
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	14445	16858
Mathematical reserves	21	11141	12317
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	3305	4541

Composition of surplus

Balance brought forward	31	3041	4912
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	264	(372)
Total	39	3305	4541

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		1500
Total distributed surplus (46+47)	48		1500
Surplus carried forward	49	3305	3041
Total (48+49)	59	3305	4541

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : With-profits payouts on maturity (normal retirement)Name of insurer **Guardian Assurance plc**Original insurer **Guardian Assurance**Date of maturity value / open market option **01 March 2011**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10						
Endowment assurance	15	10861	2393		UWP	N	12200
Endowment assurance	20	25370	8916		CWP	N	25370
Endowment assurance	25	45324	19026		CWP	N	45324
Regular premium pension	5						
Regular premium pension	10						
Regular premium pension	15	58418	15271		UWP	N	58418
Regular premium pension	20	93722	35044		UWP	N	93722
Single premium pension	5						
Single premium pension	10						
Single premium pension	15	31848	16216		UWP	N	31848
Single premium pension	20	64183	41082		UWP	N	64183

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

Name of insurer **Guardian Assurance plc**
 Original insurer **Guardian Assurance**
 Date of surrender value **01 March 2011**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5						
Endowment assurance	10						
Endowment assurance	15	9767	1981		UWP	Y	28100
Endowment assurance	20	24285	7040		CWP	N	33243
With-profits bond	2						
With-profits bond	3						
With-profits bond	5						
With-profits bond	10						
Single premium pension	2						
Single premium pension	3						
Single premium pension	5						
Single premium pension	10						

Long-term insurance capital requirementName of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%	64146	64146		51	112
Classes I (other), II and IX	13	0.15%	108745	102868	0.79	130	144
Classes I (other), II and IX	14	0.3%	1881429	1464324		4482	5295
Classes III, VII and VIII	15	0.3%	1599641	987284	0.62	2962	3185
Total	16		3653960	2618623		7624	8736

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					2537	2656
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	4180171	3136632	0.85	35531	33390
Classes III, VII and VIII (investment risk)	33	1%	798619	657306	0.85	6788	7019
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				769	495
Class IV (other)	36	1%	41434	30291	0.85	352	367
Class V	37	1%					
Class VI	38	1%					
Total	39					43441	41270

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	4180171	3136632	0.85	106594	100170
Classes III, VII and VIII (investment risk)	43	3%	798619	657306	0.85	20365	21056
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	1309153	263286			
Class IV (other)	46	3%	41434	30291	0.85	1057	1100
Class V	47	0%					
Class VI	48	3%					
Total	49		6329376	4087516		128016	122326

Long term insurance capital requirement	51					181618	174987
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Supplementary Notes to the Return**Guardian Assurance plc****Financial year ended 31 December 2010*****0101* Section 148 Waivers**

The Financial Services Authority, on the application of Guardian Assurance plc, made a direction (867831) in February 2008 under section 148 of the Financial Services and Markets Act 2000. The direction applies in relation to the general insurance business transferred to Guardian Assurance plc by AEGON Insurance Company (UK) Limited on 30 September 2002. The effect of the direction is as follows:

i) to waive the requirements of IPRU (INS) rules 9.17 and 9.19 entirely, and to modify the application of IPRU (INS) rules 9.25(2) and 9.27(2) and Appendix 9.2(11) in relation to that business.

ii) to replace IPRU (INS) Rule 9.25(2) with the following:

9.25(2) For the purposes of this rule, a major treaty reinsurer is defined as any one of the insurer's top ten treaty reinsurers of general insurance business by value of known amounts outstanding and anticipated at the end of the financial year in question.

iii) to replace IPRU (INS) Rule 9.27(2) with the following:

9.27(2) For the purposes of this rule, a major cedant of the insurer is defined as any one of the insurer's top ten cedants of general insurance business by value of known amounts owed (both agreed outstanding and IBNR) at the end of the financial year in question.

***0201* Section 148 Waiver**

The Financial Services Authority, with the consent of Guardian Assurance plc, made a direction in March 2002 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to allow Guardian Assurance plc to match certain Limited Price Index liabilities predominantly with fixed interest securities and to report the liabilities under such contracts on Form 51 and not on Form 54.

***0301* Net admissible asset reconciliation**

		2010	2009
		£'000	£'000
F13 L89 OLTB	Grand total of admissible assets	82,295	81,663
F13 L89 LTB	Grand total of admissible assets	5,552,408	5,134,073
F14 L11	Mathematical reserves, after distribution of surplus	(4,087,516)	(3,889,306)
F14 L12	Cash bonus which has not been paid to policyholders prior to end of the financial year	-	-
F14 L49	Total other insurance and non insurance liabilities	(287,451)	(206,832)
F15 L69	Total	(10,319)	(11,474)
	Sub Total	1,249,417	1,108,124
	Rounding	(2)	1
F3 L79	Total Capital resources after deductions	1,249,415	1,108,125

***0303* Allocation of Capital**

There has been no material change in the allocation of capital items between the General insurance business and the Long Term Insurance Business during 2010.

Supplementary Notes to the Return**Guardian Assurance plc****Financial year ended 31 December 2010*****0310* Details of Valuation Differences**

Positive valuation differences within Line 14 can be broken down as follows:

	2010	2009
	£'000	£'000
Positive valuation and mathematical reserve differences	1,004,050	884,096
Deferred tax on deferred acquisition cost		44
Total	1,004,050	884,140

***0313* Reconciliation of Profit and Loss Account and Other Reserves**

	2010
	£'000
Form 3 Line 12: 2010	50,076
Form 3 Line 12: 2009	(47,713)
Movement in the year	<u>2,363</u>
Transfer from LTB revenue account	8,503
LTB profit in IFRS financial statements	(8,881)
Movement in revaluation reserve in respect of LTB in IFRS financial statements	<u>(201)</u>
Form 16 Line 59 (Retained profit and loss for year)	<u>1,784</u>

***1304* OLTB: Amounts set off**

Amounts due to and from any one person have been offset, where appropriate in accordance with Generally Accepted Accounting Principles.

1305* OLTB: Maximum Counterparty limit**There are no separate limits relating to the shareholders' fund - the limits detailed in supplementary note 1311 below apply to the combination of long term and shareholders' funds.1306* OLTB: Exposure at Year End to large Counterparties**

At the valuation date, when shareholder and policyholder assets are taken together, there were no large exposures to individual counterparties.

***1308* LTB: Aggregate value of certain investments**

The Company held unlisted investments valued at £3,689,000 the majority of which were other fixed interest bonds. The Company also held listed investments, deemed not readily realisable due to the size of difference between the bid and mid market prices, valued at £78,047,000 the majority of which were fixed interest non-convertible bonds. The Company held no reversionary interests or remainders.

***1309* LTB: Aggregate value of Hybrid Securities**

The Company held hybrid securities valued at £221,442,000.

***1310* LTB: Amounts set off**

Amounts due to and from any one person have been offset, where appropriate in accordance with Generally Accepted Accounting Principles.

***1312* LTB: Exposure at Year End to large Counterparties**

At the valuation date there were no large exposures to individual counterparties.

***1313* LTB: Rights over Collateral**

The aggregate value of rights to which INSPRU 2.1.35R relates is £7.7m.

Supplementary Notes to the Return**Guardian Assurance plc****Financial year ended 31 December 2010**

1318 LTB: Other asset adjustments
Within Form 13 Line 101 there are values of :

	2010	2009
	£'000	£'000
Linked derivatives categorisation difference	139	294
Collateral	7,720	10,066
Linked creditors within Form 14	(3,677)	(2,156)
Categorisation differences	(2,573)	2,187
Rounding	1	(3)
Total Form 13 Line 101	1,610	10,388

OLTB: Other asset adjustments
Within Form 13 Line 101, there is a categorisation difference in respect of a Tax debtor – income tax receivable of £46,000.

1319 LTB: Maximum Counterparty limit
The Company's Investment Guidelines as they relate to exposure limits are as follows. All percentages refer to business amount (non-linked business). There are no exposure limits restricting the investment operation of internal linked funds.

Counterparty Exposure Limits

- a. Unincorporated body of persons, individual, non-Zone A public body, manufacturing company : 5.0%
- b. Approved counterparty, approved credit institution (excluding deposits) : 10.0%
- c. Approved credit institution (deposits) : 10.0%
- d. AEGON NV : 10.0%

There is no limit on the exposure to approved securities or accrued interest thereon, amounts due from public bodies in any Zone A state, UCITS or shares in or debts due from a dependant.

Asset Class Exposure Limits by Counterparty

	Non-Linked Business
Equities :	2.5%
Preference Shares :	2.5%
Equity, Preference Shares & Fixed Interest Securities :	5.0%
LTB: Maximum Counterparty limit - continued	

Deposit Exposure Limits by Credit Rating

Moody's Rating (or equivalent)	Approved Credit Institution	Other Institution
Aaa	9.0%	4.5%
Aa1	8.0%	4.0%
Aa2	7.0%	3.5%
Aa3	6.0%	3.0%
A1	5.0%	2.5%

Deposits with institutions which do not meet the above credit criteria are subject to an overall limit of £2.5m per institution in each fund range.

There were no breaches of internal exposure limits during the year.

Supplementary Notes to the Return**Guardian Assurance plc****Financial year ended 31 December 2010*****1401* Provision for reasonably foreseeable adverse variations (F14L41)**

To meet the requirements of GENPRU 1.3.30R to GENPRU 1.3.33R, the firm generally uses current market data at the valuation point and where this is not available fair value pricing principles are employed. The insurer has no obligations or potential obligations to which INSPRU 3.2.17R to INSPRU 3.2.18R apply.

***1402* Liabilities**

- (a) The Company has a Bond and Floating Charge granted to Guardian Pensions Management Limited, a fellow AEGON UK plc subsidiary undertaking, on 28 December 2005 in respect of reinsurance contracts (relating to unit linked business, annuities and other classes of insurance business) between the Company and Guardian Pensions Management Limited.
The Company also has a Bond and Floating Charge granted to Guardian Linked Life Assurance Limited, a fellow AEGON UK plc subsidiary undertaking, on 28 December 2005 in respect of reinsurance contracts (relating to unit linked business and other classes of insurance business) between the Company and Guardian Linked Life Assurance Limited.
The Company also has a Bond and Floating Charge granted to Countrywide Assured plc on 23 October 2006, in respect of reinsurance contracts (relating to unit linked business, with-profits business and other classes of insurance business) between the Company and Countrywide Assured plc.
- (b) As at 31st December 2010 £2,999,000 has been set aside for tax on capital gains not yet realised. Full provision has been made for taxation which might be payable if the assets were sold at the values at which they are included in Form 13.
- (c) The Company has established a provision of £5m in respect of the mis-selling of personal pension business. The provision covers the completion of the last few remaining cases, guarantees given on certain cases and the winding up of the investigating unit. The Company has also established a provision of £5m in respect of complaints arising from past sales of mortgage endowments.
- (d) The Company has no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.
- (e) The Company is not aware of any fundamental uncertainties affecting its business.

***1405* Other adjustments to liabilities (F14L74)**

Within Form 14 Line 74 there are values of :

	2010	2009
	£'000	£'000
Mathematical reserves	1,005,282	885,039
Linked derivatives categorisation differences	139	294
Collateral	7,720	10,066
Linked creditors within Form 14	(3,677)	(2,156)
Categorisation differences	(2,573)	2,187
PHI Technical Provision valuation difference	(1,231)	(943)
Rounding	2	(3)
Total Form 14 Line 74	<u>1,005,662</u>	<u>894,484</u>

***1501* Provision for reasonably foreseeable adverse variations (F15L61)**

To meet the requirements of GENPRU 1.3.30R to GENPRU 1.3.33R the firm generally uses current market data at the valuation point and where this is not available fair value pricing principles are employed. The insurer has no obligations or potential obligations to which INSPRU 3.2.17R to INSPRU 3.2.18R apply.

Supplementary Notes to the Return

Guardian Assurance plc

Financial year ended 31 December 2010

1502 Liabilities

- (a) There were no charges over assets.
- (b) Deferred taxation on unrealised gains has been provided where it is considered that a liability will arise in the future. For other than long term business this provision within Form 15 was £Nil. If taxation had been charged on the full amount of unrealised gains and other timing difference the additional provision required would have been approximately £Nil.
- (c) The Company has no contingent liabilities.
- (d) The Company has no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.
- (e) The technical provisions include claims provisions for liability risks in respect of potential claims over which there is considerable uncertainty as to the amounts at which they will be settled. The uncertainty arises from the long tail nature of some of the business written, future legislation and the outcome of pending and future litigation. The level of technical provisions has been set on the basis of the information which is currently available including potential loss advices, experience of development of similar claims and case law, having regard to expenses and related investment income. Whilst it is considered that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount currently provided. Adjustments to the amount of provisions will be reflected in the financial statements for the period in which they are made.
- (f) Within the liabilities shown on Form 15, there is an amount of £4.6 million that represents a subordinated loan paid from AEGON Insurance Company (UK) Ltd, a fellow subsidiary of AEGON NV, the ultimate parent undertaking, to Guardian Assurance plc. This is to mitigate any deterioration in claims experience in respect of the general business transferred from AEGON Insurance Company (UK) Ltd to Guardian Assurance plc. The loan was put in place on 30 September 2002, at the request of the Financial Services Authority as a condition for the approval of the transfer of the business, and as such cannot be terminated without the permission of the Financial Services Authority.

1507 OLTB: Other Adjustments to Liabilities

Within Line 83 of Form 15 there is a tax debtor of £46,000.

1601 Basis of foreign currency conversion

Income and expenditure receivable and payable in a currency other than sterling is converted to sterling at the rates ruling at the date of the transaction. Income and expenditure of overseas branches and agencies is translated at average rates throughout the year.

1603 Other income and charges (F16L21)

	2010	2009
	£'000	£'000
Income:		
Exchange gains	58	
Charges:		
Exchange losses		(121)
Total Other Income and Charges (F16L21)	<u>58</u>	<u>(121)</u>

1700 Form 17 has not been prepared for Other than Long Term insurance business and Permanent Health as no derivative instruments were held for these categories of assets.

1901 The difference between Form 48 Line 29 and Form 19 Line 11 for Life category of assets is due to surplus linked assets of the fund and Form 52 non unit liabilities.

Supplementary Notes to the Return

Guardian Assurance plc

Financial year ended 31 December 2010

- *20Aa* General insurance risk categories allocated under rule 9.14B
There are no contracts of insurance that fall within the description of more than one risk category.
- *20Ab* General insurance contracts against risk of death or injury to passengers
Risk categories 331, 530 and 540 include contracts covering risk of death or injury to passengers.
- *20Ac* General insurance risk categories 187, 223, 400 and 700
There are no contracts of insurance under risk categories 187, 223, 400 or 700.
- *20Ad* General insurance claims made and not claims made policies
There are no risk categories where the amounts reported in Form 20A contain both claims-made policies and policies that are no claims-made.
- *20Ae* General insurance facultative business under category 002
Of the amounts shown under category 002, £625,448 of the reported and £461,085 of incurred but not reported provision for gross claims is in respect of facultative business.
- *20Af* General insurance risk categories 113, 274 and 343
Business recorded against risk category 274 all falls within Group number 5 of Annex 11.2 Part II.
There are no entries against risk categories 113 or 343.
- *20Ah* General insurance transfer business
There was no transfer of general insurance business during the financial year.
- *20Ai* General insurance Forms 26 to 29, 31, 32 and 34
All of the provisions recorded on Form 20A arise from policies transferred to Guardian Assurance plc by AEGON Insurance Company (UK) Limited on 30 September 2002.
- *20Aj* General insurance cessation of business
No new contracts of insurance have been written since 30 September 1994, other than risks attaching to contracts in place at that time.
- *20Ak* General insurance amounts excluded from the revenue account
There are no amounts excluded from the revenue account.
- *20Al* Comparison with Form 11
Line 1 column 1 of Form 20A is identical to line 11 column 1 of Form 11.
- *2003* Contracts of insurance
The general insurance business of the Company is in run off and no new contracts of insurance have been written since 30 September 1994, other than risks attaching to contracts in place at that date.
- *2100* Analysis of premiums
Form 21 is not required as the Company reports by underwriting year accounting.
- *2200* Analysis of claims and expenses
Form 22 is not required as the Company reports by underwriting year accounting.
- *2300* Analysis of net claims and premiums
Form 23 is not required as the Company reports by underwriting year accounting.

Supplementary Notes to the Return

Guardian Assurance plc

Financial year ended 31 December 2010

***2402* Underwriting year accounting**

Underwriting year accounting is used for the General Insurance business transferred to the firm on 30 September 2002 by AEGON Insurance Company (UK) Limited ("AIC"). This business is long-tail as there may be long delays between the occurrence, notification and settlement of the claims. In accordance with Waiver 867831 the business will be taken to have incepted on their inception dates with AIC and not on the date of their transfer. The business is in run-off and no new contracts of insurance have been written since 30 September 1994.

***2404* Claims management expenses and other costs**

All administrative expenses have been allocated to line 43 and have been nominally spread by reporting category in the ratio of paid claims for the year.

***2405* Carried forward claims management costs**

All future claims handling and administration costs to the end of the year 2009 have been estimated. Future investment income has been calculated to the end of the year 2010 at a projected amount of £575,000. The claims handling costs element (equal to a projected amount of £412,000) is covered by future investment income anticipated in that period.

***2406* Acquisition expenses**

The exchange movements arising from the revaluation of assets have been allocated to line 42 and have been nominally spread by accounting class in the ratio of the closing gross claim provision.

***2407* Section 148 Waiver**

By virtue of the waiver referred to in supplementary note 0101, the policies transferred from AEGON Insurance Company (UK) Ltd on 30 September 2002 are taken to have incepted on the inception dates of those policies with AEGON Insurance Company (UK) Ltd and not the date of the transfer.

***2600* Analysis of treaty net claims and premiums**

Form 26 is not required under a Section 148 Modification.

***2700* Analysis of treaty gross claims and premiums**

Form 27 is not required under a Section 148 Modification.

***2800* Analysis of premiums, claims and expenses**

Form 28 is not required under a Section 148 Modification.

***2900* Analysis of technical provisions**

Form 29 is not required under a Section 148 Modification.

***3000* Expected income and yield from assets covering discounted provisions**

The technical provisions are not discounted (see note 2405 above). Hence, Form 30 is not required.

***3100* Analysis of direct and facultative gross business**

Form 31 is not required under a Section 148 Modification.

***3200* Analysis of direct and facultative motor gross business**

Form 32 is not required under a Section 148 Modification.

***3400* Analysis of gross claims and premiums**

Form 34 is not required under a Section 148 Modification.

***3600* Currency rates**

As all Forms have been prepared in sterling, Form 36 is not required.

***3700* Equalisation provisions**

The general insurance business is in run off and the level of premium income for setting equalisation provisions has fallen below the statutory limit for setting such provisions. Form 37 is not required.

Supplementary Notes to the Return**Guardian Assurance plc****Financial year ended 31 December 2010**

- *3800* Equalisation provisions technical account
See note 3700. Form 38 is not required.
- *3900* Equalisation provisions technical account
See note 3700. Form 39 is not required.
- *4002* Other income and expenditure
Other Income of £11,212,000 relates to the receipt of annual management charges on linked pension business reassured to Scottish Equitable plc, a fellow subsidiary of AEGON UK plc.
- *4008* Management Services
An agreement is in force whereby AEGON UK Services Limited administer the expense payments on behalf of the Company. There is a management agreement in place with AEGON Asset Management plc for the provision of investment management services.
- *4010* Investment Income Receivable
Form 40 Line 12 includes unit linked investment income of £15,296,000.
- *4401* Basis for determining Asset Value
Assets have been valued on a bid market value basis.
- *4402* Derivative Contracts/Rights & Liabilities
The Company held derivative contracts valued at £824,000. The Company did not hold any stock warrants.
- *4404* Surplus units statement
The linked surplus of £727,000 arises from timing differences and the operation of a daily box position.
- *4502* Other Income and Expenditure

	2010	2009
	£'000	£'000
<u>Other Income</u>		
Management fee rebates	240	489
	<u>240</u>	<u>489</u>
<u>Other Expenditure</u>		
Option charges	164	-
Bank charges	1	-
Custodian fees	13	14
Investment expenses	25	148
	<u>203</u>	<u>162</u>

- *4803* For those securities, where the issuer has an option to redeem at a fixed date or re-finance on a fixed spread over a reference bond, the yield is calculated on the assumption that the issuer will redeem at the fixed date.
- *4806* The investment returns shown in Form 48 Lines 21 to 29 column 5 are based on the total assets held in the life fund.
- *4807* The difference between Form 48 Line 29 and Form 19 Line 11 for Life category of assets is due to surplus linked assets of the fund and Form 52 non unit liabilities.
- *4901* Disclosure of rating agency used
The split by credit rating is taken from Bloomberg, which reflects the average credit rating of all available independent ratings (e.g. S&P, Moody's).

Supplementary Notes to the Return**Guardian Assurance plc****Financial year ended 31 December 2010**

5101 The number of direct written group schemes is as follows

Product – Life Fund		UKL	UKP	OS
175	Group conventional deferred annuity with profits	1	1	
175	Group conventional deferred annuity with profits – chargeable rates		11	
175	Group conventional deferred annuity with profits – Pension Plus		9	
410	Group life		20	
410	Group life – GSB	61		
411	Group death in service dependants’ annuities		10	
415	Collective life	3		

5102 It has been assumed that the number of individual policyholders is the number of individual policies.

5201 The number of direct written group schemes is as follows

Product – Life Fund		UKL	UKP	OS
555	Group deposit administration with profits - DPA		9	
555	Group deposit administration with profits - Pension Saver		127	

5202 It has been assumed that the number of individual policyholders is the number of individual policies except where a number of ‘mini-policies’ have been sold in a ‘cluster’, in which case the cluster has been counted as individual policyholder.

5301 The number of direct written group schemes is as follows

Product – Life Fund		UKL	UKP	OS
735	Group money purchase pension property linked		8	

5302 It has been assumed that the number of individual policyholders is the number of individual policies except where a number of ‘mini-policies’ have been sold in a ‘cluster’, in which case the cluster has been counted as individual policyholder.

5501 There are no net property linked assets for Choices or Group Money Purchase pension linked funds as all relevant liabilities are reassured to Scottish Equitable plc.

Returns under the Accounts and Statements Rules

Additional Information on general insurance business: major treaty reinsurers required by rule 9.25 of the Interim Prudential Sourcebook for Insurers

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Major Treaty Reinsurer	Connection	Prop. Reinsurance Treaties £000	Non-Prop Reinsurance Tr. £000	Debts outstanding included at F13L75 £000	Deposit received included at F15L31 £000	Anticipated recoveries £000	Comments
As required by Rule 9.25: (Para 1(a))	(Para 1(b))	(Para 1(c)(i))	(Para 1(c)(ii))	(Para 1(d))	(Para 1(e))	(Para 1(f))	
Lloyd's PTZ 1095 Lloyd's Building Lime Street London EC3M 7HA UK	None			26		0	
Lloyd's ROS 0227 Lloyd's Building Lime Street London EC3M 7HA UK	None			6		0	
NAC Re. International Ltd New London House 6 London Street London EC3R 7LQ UK	None			66		0	

The Financial Services Authority, on the application of Guardian Assurance plc, made a direction in November 2005 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is disclosed within note 0101 of the supplementary notes to the return.

There are only 3 reinsurers, as defined with supplementary note 0101 to the return, with known amounts outstanding and anticipated at the end of the year.

Returns under the Accounts and Statements Rules

Additional Information on general insurance business: major facultative reinsurers required by rule 9.26 of the Interim Prudential Sourcebook for Insurers

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Major Facultative Reinsurer	Connection	Reinsurance premiums payable £000	Debts outstanding included at F13L75 £000	Deposit received included at F15L31 £000	Anticipated recoveries £000	Comments
As required by Rule 9.26: (Para 1(a))	(Para 1(b))	(Para 1(c))	(Para 1(d))	(Para 1(e))	(Para 1(f))	
There are no major facultative reinsurance contracts within the regulatory limits						

Returns under the Accounts and Statements Rules

Additional Information on general insurance business: reinsurance cedants required by rule 9.27 of the Interim Prudential Sourcebook for Insurers

Name of insurer **Guardian Assurance plc**

Global business

Financial year ended **31 December 2010**

Major Reinsurance Cedant details	Connection	Premium details premiums receivable £000	Deposits made included at F13L57 £000	Debts outstanding included at F13L74 £000	Comments
As required by Rule 9.27: (Para 1(a))	(Para 1(b))	(Para 1(c))	(Para 1(d))	(Para 1(e))	
ACE (Europe) INA Services UK Kent House Romney Place Maidstone Kent ME15 6LT UK	None				
AXA Headquarters (France) 25 Avenue Matignon 75008 Paris France	None				
CAMAT c/o Willis Limited Friar Street Ipswich Suffolk IP1 1TA UK	None				
CNA 40 Wall Street 10 th Floor New York NY 10005 USA	None				
Chevanstell Ltd (formerly Colonia Baltica) 69-70 Mark Lane London EC3R 7HJ UK	None				
Copenhagen Reinsurance UK plc 25-26 Lime Street London EC3M 7HR UK	None				
Houston Casualty Co 13403 Northwest Freeway Houston Texas USA	None				

The Financial Services Authority, on the application of Guardian Assurance plc, made a direction in November 2005 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is disclosed within note 0101 of the supplementary notes to the return.

The above are the cedants as defined in note 0101 of the supplementary notes to the return. At 31 December 2010 there were only 7 major cedants remaining.

Returns under the Accounts and Statements Rules

General insurance business – Additional information on business ceded required by rule 9.32 of the Interim Prudential Sourcebook for Insurers

Guardian Assurance plc

Financial year ended 31 December 2010

The general insurance business of the Company is in run off and there were no new or modified contracts of reinsurance in the financial year.

General insurance business – Additional information on business ceded required by rule 9.32A of the Interim Prudential Sourcebook for Insurers

Guardian Assurance plc

Financial year ended 31 December 2010

All reinsurance contracts entered into by the Company were either on a Quota Share basis or Non-Proportional basis providing Excess of Loss cover, which included a transfer of risk to the reinsurer. The contracts do not contain the features as described in IPRU(INS)9.32B(5). Therefore there were no contracts of insurance under which general insurance business has been ceded by the insurer where:

- (a) the value placed on future payments in respect of the contract in the return for the financial year in question is not commensurate with the economic value provided by the contract, after taking account of the level of risk transferred; or
- (b) there are terms or foreseeable contingencies (other than the insured event) that have the potential to affect materially the value placed on the contract in the insurer's balance sheet at, or any time after, the end of the financial year in question.

Additional Information on Derivative Contracts required by rule 9.29 of the Interim Prudential Sourcebook for Insurers.

Guardian Assurance plc

Financial year ended 31 December 2010

- (a) The Investment Guidelines operated during the year to 31 December 2010 were as follows:
- (i) Exchange traded Index Futures may be used in the equity and fixed interest sectors of the long term business fund for efficient portfolio management and reduction of risk up to a level of 25% of the relevant "sector" fund.
 - (ii) Margin requirements on Futures positions are deposited with the exchange through a clearing agent. Overall exposure is limited to 25% of the relevant "sector" fund.
 - (iii) Exchange traded puts and calls on individual share may be bought or sold consistent with the fund mandates. Options sold by the insurer must be covered.
 - (iv) Currency forward contracts may be used to hedge overseas currency exposure. Currency options may be used as an alternative to currency forwards. Currency hedging may be occasionally achieved by using borrowings. Hedging can only be applied against currencies actually held by the insurer.
 - (v) Over the Counter (OTC) derivatives are used only for very specific purposes consistent with the fund mandate. Where investments guarantees may be entering into an OTC contract with an investment bank.
 - (vi) Derivatives may be utilised within structured documented programmes that do not comply with (a)(i)-(v) above. These programmes specifically detail the way in which derivatives may be used and the funds to which they apply. The limits on the use of derivatives within such programmes are capped at 100% of the value of the fund and the use of derivatives must be in compliance with FSA rules.
- (b) The Investment Guidelines do not normally permit any new contracts to be bought or sold which are more than 10% out of the money (this includes over the counter options). The only exceptions are where a contract that is more than 10% out of the money is covered by an additional contract that is less than 10% out of the money, or the out of the money contract, potentially in combination with other contracts, has the effect of reducing investment risk as defined in FSA rules. The Guidelines also specifically require care to be taken so that out of the money options are not exercised and losses consequently incurred.
- (c) The insurer did not enter any such contracts as described in sub-paragraph (b) above during 2010.
- (h) No derivative contract was held at any time during the financial year which required a significant provision to be made for it under INSPRU 3.2.17R, or did not fall within the definition of a permitted derivative contract.
- (i) During 2010 within the linked long-term insurance fund, the insurer received a fixed consideration of £2.5m in return for granting rights under derivative contracts. The derivative contracts in question were put and call options written against both individual company holdings and standard indices.

Returns under the Accounts and Statements Rules

Additional Information on Controllers required by rule 9.30 of the Interim Prudential Sourcebook for Insurers.

Guardian Assurance plc

Financial year ended 31 December 2010

Controllers

During the year AEGON NV was a controller of the Company by virtue of being the ultimate parent company. The Company is a wholly owned subsidiary of AEGON (UK) plc, which is a wholly owned subsidiary of AEGON Holdings (UK) Ltd. AEGON Holdings (UK) Ltd in turn is a wholly owned subsidiary of AEGON International NV, which is a wholly owned subsidiary of AEGON NV, the ultimate parent undertaking. Both AEGON International NV and AEGON NV are incorporated in the Netherlands.

The ultimate parent undertaking of Guardian Assurance plc is AEGON NV. Vereniging AEGON holds approximately 11% of AEGON NV's outstanding common shares and all of the preferred shares. This corresponds to approximately 22% of voting rights. In the event of a "special cause", Vereniging AEGON's voting rights would currently increase to around 32%, for up to 6 months per "special cause". A "special cause" would be such as the acquisition of a 15% interest in AEGON NV, a tender offer for AEGON NV shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by AEGON NV's Executive Board and Supervisory Board.

ABSTRACT OF VALUATION REPORT (LIFE FUND)

Introduction

- 1 (1) The valuation date is 31 December 2010.
- (2) The previous valuation date was 31 December 2009.
- (3) No interim valuations (for the purposes of rule 9.4 of IPRU(INS)) have been carried out since the previous valuation date.

Product Range

- 2 There were no significant changes to the product range during 2010.

Discretionary charges and benefits

- 3 (1) Market Value Reductions did not apply during 2010 as the asset shares of policies exceeded the published unit value for all terms and durations.
 - (2) There were no changes to premiums on reviewable protection policies during 2010.
 - (3) There are no non-profit deposit administration benefits.
 - (4) On linked policies with service charges that are expressed in monetary rather than percentage terms the service charges on the Choices range of contracts increased by 1.7% during 2010. Service charges on the Freedom range of contracts did not increase during 2010.
 - (5) There have been no changes to benefit charges on linked policies during 2010.
 - (6) No changes were made to the rates of annual management charges on unit-linked policies during 2010 nor to the rate of notional charge applied to unitised with-profit business.
 - (7) The Pension unit liabilities are wholly reinsured to Scottish Equitable plc and an appropriate description of unit pricing principles for these funds appears in the Returns of Scottish Equitable plc. The following applies to internal linked funds on Freedom assurances and Property Bonds:
 - (a) (i) Units in the internal linked funds are created and cancelled at the net asset price.
 - (ii) The offer price used for the allocation of units to policies is calculated as the net asset price plus a bid/offer spread. The bid price used in the cancellation of units from policies is calculated as the offer price multiplied by [1-the bid/offer spread percentage]. Prices must be within the following maximum and minimum limits. The minimum bid price is obtained by dividing the number of units in issue into the net value of the relevant fund with due allowance for disposal costs. The maximum offer price is obtained similarly from the value of the relevant fund but with due allowance for acquisition costs and the result is increased by the ratio 100/95.
 - (iii) Underlying net asset prices are calculated on two bases. The higher net asset price represents the offer price of the underlying assets plus an allowance for purchase expenses. The lower net asset price represents the equivalent bid price of those underlying assets less an allowance for sale costs. A striking point is then determined between the two values according to current and expected cashflows to represent the deemed net asset price. The current and expected cashflows are reviewed each month and could be reviewed on other occasions in special circumstances.
 - (iv) Asset valuations are based on the 12pm intra-day valuation except for property, which is valued monthly.
 - (b) There are no circumstances where different pricing bases apply to different policies. Pricing bases vary depending on the position of the individual unit-linked funds as described above.
 - (c) Not applicable.
- (8) For all funds subject to tax on capital gains, tax is deducted from the internal linked funds on a quarterly basis consistent with the tax payments made to HM Revenue & Customs. Tax is deducted in respect of realised gains and other taxable income assuming a tax rate of 20%. In respect of the notional gains on unit trusts the tax deducted is based on a rate of 20% applying to 1/7th of the notional gain which is consistent with the Company's taxation basis. No deduction is made with respect to other unrealised gains.
- (9) For all funds subject to tax on capital gains, tax provisions are established in respect of realised and unrealised gains at a rate of 20% of the indexed gain. This figure is adjusted to allow for the deferment of tax on deemed disposals of unit trust holdings. For the Fixed Interest and Index Linked Gilt funds, corporation tax provisions are established in respect of realised and unrealised gains at a rate of 20% of the relevant gain. This is assessed on a mark to market basis.
- (10) For those funds which hold units in AEGON Asset Management OEICs, the amount of the management charge on the OEIC is rebated to the fund and hence to the policyholders. There are no beneficial terms in respect of purchases or sale of the OEIC holding. There are no beneficial terms on holdings in other unit trusts or OEICs.

Valuation basis (other than for special reserves)

4 (1) The general principles adopted in the valuation fall into three broad subdivisions as follows:

I

For most categories of non-linked contract the net liabilities were calculated by deducting the present value of net premiums from the present value of benefits. The net premium for each policy is such a premium that if payable for the same period and in the same manner as the actual premium and calculated on the valuation basis would be sufficient, allowing for Zillmerisation, to provide the benefits under the policy. Benefits valued under deferred annuities are taken to be equivalent to the maximum of the guaranteed cash option, if any, and a valuation cash option. In determining the reserve it is assumed that 80% to 95% (based on term to vesting) of policyholders exercise the most onerous option. In no case was the net premium allowed to exceed 95% of the office premium or, for some classes, such lower percentage of the office premium that was considered necessary to make proper provision for future expenses.

II

For property linked contracts the methods of valuation depended upon the nature of the benefits.

The net liabilities for Guardhill contracts were calculated by deducting the present value of any future office premiums, after allowing for future expenses, from the present value of the benefits.

As a general principle the net liabilities for other property linked contracts were based on the value of units allocated increased as necessary by the value of non-unit liabilities. For GMP and the Freedom and Choices ranges of contracts the non-unit liabilities were valued by projecting, for each future year, income and outgo in respect of expenses, mortality and morbidity.

For the purpose of this calculation:

- Income comprises premiums and expense charges (including fund charges and any benefit from the bid/offer spread) together with amounts arising from the cancellation of units.
- Outgo comprises the cost of units created, assumed expenses (including commission) and payments on death, maturity or illness.

III

For categories of policy that do not fall within sub-divisions I and II above, the valuation principles and methods used were:

(i) Non-linked accumulating with-profits contracts.

For non-linked accumulating with-profits contracts the reserve is the greater of:

- a) The minimum of the current benefit value, excluding any allowance for terminal bonus, and the current surrender value.
- b) The discounted projected benefits allowing for bonus rates consistent with the PPFM. The long-term bonus rates assumed for this purpose were 1.50% for Unitised With-Profits, 4.50% for Deposit Administration and 0.91% for Pension Saver.

For Deposit Administration and Pension Saver the current benefit value was taken as the amount standing to the credit of the policyholder. This amount included any bonus interest additions made prior to the valuation date together with the accumulation of basic interest to that date. For Unitised With-Profits the current benefit value was taken as the number of units attaching to the policy multiplied by the published bid price.

The resultant reserve for accumulating with-profits contracts exceeds the current benefit value by £5,700,000.

(ii) Group benefits of life assurance, critical illness and total disability; group annuities payable on death-in-service to widows, widowers and other dependants; fatal accident benefits; term assurances with special terms, and certain minor risks.

The net liability was generally taken to be not less than 100% of the annual office premium for regular premium contracts and 90% of any single premium.

(iii) Chargeable rate deferred annuities.

The net liability was taken as the value of the pension secured to date, no account being taken of future premiums or pension to be secured by future premiums.

(iv) Group endowment, all group deferred pension contracts and certain individual pension contracts.

For group contracts the valuation was based on data in force at the renewal date in 2010, but if the data was not then available the most recently available data was used. The liability was calculated in accordance with sub-division I, but adjusted to allow for alterations up to the valuation date and increased to the extent necessary to ensure that future valuation strains would not occur in respect of future premiums. Buy-Out Plan liabilities were calculated in accordance with sub-division I, but were increased where the anticipated bonus guarantee applied. In general, where detailed information was not available the net liability was estimated, but in no case was it taken to be less than premiums received adjusted for outgoings and accrued interest.

(v) Permanent health insurance contracts.

The net liability for current cost contracts was taken as 100% of the premium due during the current policy year. For annual premium contracts benefits were valued in accordance with sub-division I above.

A further reserve for Group PHI claims in payment was made by applying an annuity factor, based on the valuation interest rate and recovery rates derived from the company's own experience, to the current claim amount. This amount was then increased by a factor sufficient to cover the future claims expenses.

A further reserve for Individual PHI claims in payment was made by applying an annuity factor, based on the valuation interest rate and prudent recovery rates derived from the CMIR20 industry experience, to the current claim amount. This amount was then increased by a factor sufficient to cover the future claims expenses.

(vi) Risk premium reassured from Caledonian Insurance Company.

In the case of risk reassured in respect of individual term and basic assurances and collective life, the net liability was taken as 10% of the risk premium for the year ending on the valuation date. The net liability for group life contracts was taken as 100% of the risk premium for the year.

Reserve for Extra Risks

In general, the reserve for extra risks was taken to be not less than one year's additional premium per annum or 90% of any additional single premium, as appropriate, payable in respect of the extra risk.

(2) The valuation interest rates, mortality & morbidity tables and expense allowances assumed for the 2010 and 2009 valuations were as follows:

Category	Mortality (* Morbidity) Table				Interest	
	2010		2009		2010	2009
	Males	Females	Males	Females	%	%
BLAGAB Life Assurances						
With profits	90% AM92	85% AF92	95% AM92	100% AF92	3.10	3.55
Non-Profit investment	90% AM92	85% AF92	95% AM92	100% AF92	3.10	3.75
Bonus reinforcement benefit	90% AM92	85% AF92	95% AM92	100% AF92	3.10	3.75
Term assurance smokers	115% TM92	140% TF92	120% TM92	140% TF92	3.10	3.75
Term assurance non-smokers	65% TM92	80% TF92	70% TM92	80% TF92	3.10	3.75
Term assurance other	70% TM92	85% TF92	75% TM92	85% TF92	3.10	3.75
Group Scheme Benefit smokers	120% TM92	145% TF92	175% TM92	135% TF92	3.10	3.75
GSB non-smokers	70% TM92	80% TF92	85% TM92	80% TF92	3.10	3.75
GSB other	75% TM92	100% TF92	125% TM92	110% TF92	3.10	3.75
Genesis smokers	130% M&G (1996)		130% M&G (1996)		3.10	3.75
Genesis non-smokers	115% M&G (1996)		115% M&G (1996)		3.10	3.75
HomeGuard Plus smokers	140% M&G (1996)		140% M&G (1996)		3.10	3.75
HomeGuard Plus non-smokers	140% M&G (1996)		140% M&G (1996)		3.10	3.75
Life assurance & CI smokers	140% M&G (1996)		140% M&G (1996)		3.10	3.75
LICI non-smokers	140% M&G (1996)		140% M&G (1996)		3.10	3.75
Guardhill & Property Bond	90% AM92	85% AF92	95% AM92	100% AF92	1.80	3.10
Deferred Annuities						
Personal Pensions	40% AM92	50% AF92	40% AM92	50% AF92	3.90	4.30
Participating Pensions	40% AM92	50% AF92	40% AM92	50% AF92	3.90	4.30
Retirement Pensions	40% AM92	50% AF92	40% AM92	50% AF92	3.90	4.30
Pension Assurance with profits	90% AM92	85% AF92	95% AM92	100% AF92	3.90	4.50
VIP/ Pension Plus with profits	40% AM92	65% AF92	40% AM92	65% AF92	3.90	4.50
Other with profits	45% AM92	60% AF92	45% AM92	60% AF92	3.90	4.50
Grouped Fund / Chargeable rates						
- With Profits	50% AM92	75% AF92	50% AM92	75% AF92	3.90	4.50
- Without Profits	50% AM92	75% AF92	50% AM92	75% AF92	3.90	4.70
Pension Assurance non-profit	90% AM92	85% AF92	95% AM92	100% AF92	3.90	4.70
Non-Profit annual premium	45% AM92	60% AF92	45% AM92	60% AF92	3.90	4.70
Non-Profit single premium	45% AM92	60% AF92	45% AM92	60% AF92	3.90	4.70
Annuities in Possession						
GAF immediate annuities	92% IML00	100% RFV00	96% IML00	107% RFV00	3.90	4.70
GAF deferred post-vesting	92% IML00	100% RFV00	96% IML00	107% RFV00	3.90	4.30
PBF immediate annuities	92% IML00	100% RFV00	96% IML00	107% RFV00	3.90	4.70
PBF deferred post-vesting	92% IML00	100% RFV00	96% IML00	107% RFV00	3.90	4.30
IML00/RFV00 tables have long cohort future improvements with a 0.75% minimum underpin. IMA92/IFA92 tables are standard cohort improvements with no underpin.						
PB Life Assurances						
With Profit	90% AM92	85% AF92	95% AM92	100% AF92	3.90	4.50
Non-Profit investment	90% AM92	85% AF92	95% AM92	100% AF92	3.90	4.70
Term assurance smokers	115% TM92	140% TF92	120% TM92	140% TF92	3.90	4.70
Term assurance non-smokers	65% TM92	80% TF92	70% TM92	80% TF92	3.90	4.70
Term assurance other	70% TM92	85% TF92	75% TM92	85% TF92	3.90	4.70

- (3) The yield on non-Gilt fixed interest securities (bonds) is calculated by reference to market prices. This yield is reduced by reference to the credit rating as follows:

Credit Rating	Yield Reduction
AAA	0.13%
AA	0.41%
A	0.73%
BBB	1.60%
BB	3.30%
B	6.41%
CCC	10.06%

All yields were capped at a maximum risk-adjusted yield of 11%.

The yield on equity assets was adjusted by reviewing the portfolio on a stock by stock basis for high yields arising due to risk rather than illiquidity and reducing the appropriate yields accordingly.

Property assets were not hypothecated to the non-linked liabilities.

- (4) See table in 4(2) above.

Expectations of life are as follows:

Class of contract, sex & age	Expectation of life – 2010 basis	Expectation of life – 2009 basis
GAF annuity male 65	22.7 years	21.4 years
GAF annuity female 65	25.4 years	25.2 years
GAF annuity male 75	14.3 years	13.1 years
GAF annuity female 75	16.5 years	15.8 years
PBF annuity male 65	22.7 years	22.6 years
PBF annuity female 65	25.4 years	25.1 years
PBF annuity male 75	14.3 years	14.1 years
PBF annuity female 75	16.5 years	16.1 years
PBF deferred annuity male 65, at 45	24.3 years	24.6 years
PBF deferred annuity female 65, at 45	26.9 years	27.0 years
PBF deferred annuity male 65, at 55	23.6 years	23.7 years
PBF deferred annuity female 65, at 55	26.2 years	26.1 years

- (5) For Income Protection claims in payment the termination rates are a modified CMIR12 table and modified AM/AF92 combined. The bases used for 2010 and 2009, using a deferred period of twenty six weeks and covering all occupation classes, are as follows:

Modified CMIR12 & AM/AF92 combined Termination Rates - 2010				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.0344	0.0347	0.0417	0.0420
35	0.0294	0.0296	0.0362	0.0364
45	0.0246	0.0249	0.0316	0.0319
55	0.0208	0.0222	0.0287	0.0301

Modified CMIR12 & AM/AF92 combined Termination Rates - 2009				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.2240	0.2243	0.0599	0.0602
35	0.1847	0.1849	0.0516	0.0518
45	0.1442	0.1445	0.0444	0.0446
55	0.1036	0.1050	0.0391	0.0405

(6) The Zillmer adjustments used for the 2010 and 2009 valuations were as follows:

Category of Contract	Zillmer expressed as a percentage of Sum Assured or 'Valuation Cash Option'
Life Assurance business	%
Whole Life and Endowment	2.25
New Protection Program:	
Critical Illness Protection	0.30
Mortgage Critical Illness Protection	0.50
Life Insurance and Critical Illness benefits	0.40
Life Assurance benefits	0.30
Lifetime Gift: Tax Protection	0.00
Temporary Assurances	0.75
Critical Illness Plan and LICI	0.50
Homeguard Plus	0.40
Group Scheme for Borrowers	0.40
General Annuity and Pension business	
Whole Life and Endowment	2.00
Deferred Annuities	2.00
Temporary Assurances	1.00

The expense assumptions for non-unit liability calculations for linked business were as follows:

Category of Contract	Per policy expense		Inflation rate of expenses & monthly service charges		Unit growth rate before annual management charge	
	2010	2009	2010	2009	2010	2009
Freedom assurances	£49	£45	4.50%	4.50%	5.25%	5.25%
Choices Personal Pension	£71	£65	4.50%	4.50%	5.50%	5.50%
Choices Group Pension	£196	£155	4.50%	4.50%	5.50%	5.50%
Choices Executive Account	£220	£200	4.50%	4.50%	5.50%	5.50%
Choices In-Scheme AVC	£185	£271	4.50%	4.50%	5.50%	5.50%

For annuities there is a fixed expense loading equal to the amount charged under the servicing agreement with the shareholder. For assurances where no further premiums are payable there is a loading of 0.24% of the benefit amount (0.30% for pensions business), unaltered from 2009. The implicit expense allowance within the net premium reserves was tested against the discounted value of future expenses allowing for inflation. For classes of business where the implicit allowance was inadequate, an additional reserve was set up.

(7) For accumulating with profits classes of business the following future bonus rates were assumed:

Category of Contract	Bonus rate after deduction of annual management charge or expense allowance		
	Year 1	Year 2	Year 3+
Freedom UWP	1.25%	1.25%	1.25%
Choices UWP	1.50%	1.50%	1.50%
Deposit Administration	Expiry of bonus rate for balance of 15 years from purchase, then Gilt yield less expenses		
Pension Saver	5.00%	1.91%	0.91%

For conventional with profits business a net premium valuation was used.

(8) Nil lapses are assumed for all business. For linked business any negative values were eliminated as they arose. There are no other material basis assumptions.

(9) (i) Interest rate swaps

The fund holds a number of interest rate swaps to swap a series of fixed interest rates for a series of floating interest rates on nominal amounts in the future. The exposures at 31 December 2010 are £1,624,820,000 nominal where the fund is paying a fixed rate to the counterparty and £1,850,600,000 where the fund is receiving a fixed rate. The net market value of the swaps is -£6,692,000. The income from the swaps is matched against the future guaranteed liabilities of the fund. The counterparties are Morgan Stanley, Barclays, UBS and RBS.

(ii) Cash settled payer swaptions

The fund holds a series of swaptions to match the maturing profile of deferred annuities with guaranteed cash option rates. The swaptions hedge against interest rates rising to the extent that the guaranteed cash option rate becomes onerous. For example, a 15 year swaption with a strike of 8% would give Guardian Assurance the right to receive a cash payment at maturity if 15 year swap rates were above 8%. The counterparty to the swaption is UBS and the market value at 31 December 2010 is £1,009,000.

(iii) Equity Put Options

A series of equity put options have been purchased by the fund to hedge against the guaranteed maturity values on Homebuilder Plus contracts. The options are matched against the portfolio of future maturing units on Homebuilder Plus contracts and contain a basket of global equity markets based on the geographical distribution of the GLLA Managed Fund. For maturities in the next 5 years the options protect against market falls below 80% of the market level at the strike date. For later maturities the strike is at 110%. The market value at 31 December 2010 is £16,827,000.

(iv) FTSE future

The fund holds an option to purchase LIFFE-FTSE 100 of £24,633,000. The market value of the future at 31 December 2010 is £509,000.

(v) Gilt Total Return Swaps

The fund has exposure to gilts through Gilt Total Return Swaps (TRS), the duration added as a result of the TRS was hedged through Pay Fixed Swaps. The purpose of the combined TRS and swap package is to reduce the sensitivity of the fund to variations in the spread between yields on gilts and swap rates. The net market value of the TRS and swap package at 31 December 2010 is -£62,041,000.

Options and Guarantees

5 (1) Guaranteed annuity options

A reserve of £55,000 is held in respect of guaranteed annuity options on certain endowment assurances.

(2) Guaranteed surrender and unit-linked maturity values

(i) GLLA Homebuilder Plus reassured to Guardian Assurance plc

Homebuilder Plus contracts pay at maturity the greater of the guaranteed sum assured and the bid value of the Managed units held. If the unit value exceeds the sum assured before maturity then the units are switched into the GLLA Deposit fund. The liability is to a large extent hedged by a series of equity put options described in 4(9) above which match the cashflows from future maturities and the investment composition of the GLLA Managed Fund. The additional reserve for the guarantee is then calculated as the maximum loss that could arise after taking the put options into account, plus the current value of the relevant options. A reserve of £62,400,000 is held, which includes an amount corresponding to the market value of the options held of £16,200,000.

(ii) Guardhill

No explicit reserve is held for the Guardhill maturity and death guarantee as it is trivial and considered to be adequately covered by the Long Term Insurance Capital Requirement.

Product name	Mathematical reserve	Outstanding durations	Guarantee reserve	Guaranteed amount	MVA free conditions	In-force premiums	Increments accepted
Homebuilder Plus	£125.9m	Average 3 years	£62.4m	£143.5m	None	£4.5m p.a.	No
Guardhill	£55.8m	1 year to whole of life	Nil	£16.2m	None	£0.2m p.a.	No

(iii) Guaranteed surrender values

A provision equal to the total amount paid in the last 5 years under the guarantee in excess of the normal surrender value is held. The reserve held is nil.

(3) Guaranteed insurability options

For conversion and further assurance options the additional prospective mortality cost arising from the exercise of such options was reviewed making due allowance for anticipated savings in acquisition costs. There were 2,016 convertible term assurance in force at 31 December 2010, and the reserve held is £450,000, including an allowance for AIDS.

(4) Other options and guarantees

No significant other options or guarantees exist.

A full breakdown of the net additional reserves is as follows:

Guaranteed surrender and unit-linked maturity values (including GLLA Homebuilder Plus)	5(2)	£62,400,000
Mortgage endowment complaints		£4,900,000
Future expenses		£16,155,000
Guaranteed annuity options	5(1)	£55,000
Other special reserves – Reinsurance risk	8(i)	£22,900,000
Adjustment for discontinued contracts		(£9,959,000)
Pensions mis-selling complaints including contracting-out		£8,000,000
Other complaints, compliance and legal issues		£2,920,000
Outstanding claims on lapsed policies & late notified claims		£3,258,000
Guaranteed insurability options (including Conversion options)	5(3)	£450,000
Other special reserves - Mortgage interest rate variation	8(ii)	£70,000
Other contingencies		£11,362,000
Total net additional reserves (equals the sum of product codes 210, 440, 610 & 800 in Forms 51-54)		£122,511,000

Expense Reserves

- 6 (1) An aggregate amount of £14,708,000 is contained in the valuation arising during the 12 months after the valuation date to meet expenses in fulfilling contracts in force at the valuation date. £7,290,000 is from explicit allowances and £7,418,000 is from implicit allowances. Allowances for investment expenses and maintenance expenses are £6,274,000 and £8,434,000 respectively.
- (2) Implicit allowances for expenses arise within the net premium valuation method for non-linked contracts. The implicit expense allowance was tested against the discounted value of future expenses allowing for inflation and, for classes of business where the implicit allowance was inadequate, an additional reserve was set up.
- (3) Form 43 Line 14 includes £5,639,000 of investment expenses, leaving £14,796,000 of maintenance expenses before reinsurance. Line 44 also includes £5,639,000 of investment expenses, leaving £8,869,000 of maintenance expenses net of reinsurance. The figures in (1) above are net of reinsurance. The allowance for investment expenses quoted in (1) above excludes several items included in Form 43 Line 44.
- (4) The Fund is only writing new business where it is legally obliged to in respect of increments and options under existing policies. The expenses of continuing to write new business for 12 months were assessed by looking at expense budgets and anticipated new business volumes. The associated surplus emerging from existing business was also assessed. The expected surplus was more than sufficient to meet the additional costs, and no additional reserve is held.
- (5) The fund is closed to new business and therefore no additional reserve is required to cover the costs of closure.

Mismatching Reserves

- 7 (1) The sum of the mathematical reserves of the Company (other than liabilities for property linked benefits) analysed by reference to currency are as follows:

	Liabilities	Assets
UK £	£3,687,976,000	£3,687,976,000
Other currencies	£ 7,028,000	
Total	£3,695,004,000	

- (2) 100% of the liabilities under 'other currencies' in the above table are matched by assets in the same currency.
- (3) No reserve is required for currency mismatching.
- (4) No resilience capital requirement is required under INSPRU 3.1.16R as the Company is a realistic basis firm.

- (5) There are no significant territories outside the United Kingdom in which non-linked assets are invested.
- (6) Not applicable.
- (7) No further reserve arises from the test on assets in INSPRU 1.1.34R(2).

Other Special Reserves

8 Other special reserves which exceed the lesser of £10m and 0.1% of total mathematical reserves are:

- (1) Reinsurance risk

A reserve of £22,900,000 is held to cover the risk of default of a reinsurer. The majority of the reinsurance reserves are with Scottish Equitable, and a default risk of 0.73% is assumed, consistent with the credit rating of the reinsurer.

Reinsurance

- 9 (1) No premiums were payable under facultative reinsurance arrangements in the reporting period to companies not permitted to carry on insurance business in the United Kingdom.
- (2) Reinsurance Treaties: see later table.

Reversionary (or annual) bonus

10 For classes of business where the mathematical reserves exceed the lesser of £10m and 1% of the total mathematical reserves:

Bonus Series	Mathematical Reserves	Reversionary Bonus Rate for 2010	Reversionary Bonus Rate for 2009	Total Guaranteed Bonus Rate for 2010
Assurances	£346.8m	1.00%	1.00%	nil
Pension Plus, VIP & Buy-Out Plan	£1,107.6m	0.50%	0.50%	nil
Personal Pension	£166.4m	1.00%	1.00%	nil
Freedom UWP	£42.2m	1.25%	1.25%	nil
Choices UWP	£416.6m	1.50%	1.50%	nil
Countrywide UWP reinsurance accepted	£10.4m	1.50%	1.50%	nil
Pension Saver	£88.6m	5.00%	5.00%	nil
Group Funding	£15.2m	2.60%	2.60%	nil

Reinsurance Treaties where the Company is the Cedant (paragraph 9.2)

Treaty No	Name of Reinsurer (d)	Nature and extent of cover (e)	Premiums payable in 2010 (f)	New Business (h)	Amount of Mathematical Reserves ceded (j)	Retention by the Insurer (k)								
1	Guardian Linked Life Assurance Ltd	<p>Original Terms Basis for the following products: (a) Freedom Range (b) New Protection Programme on an Original Terms Basis</p> <p>70% quota share of the non-unit liabilities. The sums at risk are subject to the reinsurer's retention limits as follows:</p> <table> <tr> <td>Life</td> <td>£100,000</td> </tr> <tr> <td>Critical Illness</td> <td>£ 30,000</td> </tr> <tr> <td>Total Permanent Disability</td> <td>£ 30,000</td> </tr> <tr> <td>Permanent Health Insurance</td> <td>(a)£ 2,500p.a. (b)£ 5,000p.a.</td> </tr> </table>	Life	£100,000	Critical Illness	£ 30,000	Total Permanent Disability	£ 30,000	Permanent Health Insurance	(a)£ 2,500p.a. (b)£ 5,000p.a.	£4,574,000	Closed to New Business	£2,406,000	Nil
Life	£100,000													
Critical Illness	£ 30,000													
Total Permanent Disability	£ 30,000													
Permanent Health Insurance	(a)£ 2,500p.a. (b)£ 5,000p.a.													
2	Guardian Pensions Management Ltd	<p>Original Terms Basis for the following products: (a) Choices Range (b) Corporate Protection Menu (c) Group Money Purchase (d) Trustee Investment Plan</p> <p>70% quota share of the non-unit liabilities. The sums at risk are subject to the reinsurer's retention limits as follows:</p> <table> <tr> <td>Life</td> <td>£150,000</td> </tr> <tr> <td>Critical Illness</td> <td>£ 50,000</td> </tr> <tr> <td>Total Permanent Disability</td> <td>£ 30,000</td> </tr> <tr> <td>Group Permanent Health Insurance</td> <td>£ 10,000p.a.</td> </tr> </table>	Life	£150,000	Critical Illness	£ 50,000	Total Permanent Disability	£ 30,000	Group Permanent Health Insurance	£ 10,000p.a.	£13,339,000	Closed to New Business	£3,077,000	Nil
Life	£150,000													
Critical Illness	£ 50,000													
Total Permanent Disability	£ 30,000													
Group Permanent Health Insurance	£ 10,000p.a.													
3	Scottish Equitable plc	<p>Immediate Annuities on Risk premium rates 100% of UK Individual and Group, level and fixed escalation, pension annuities commencing after 1 January 1999.</p>	Nil	Closed to New Business	£1,039,027,000	Nil								
4	Scottish Equitable plc	<p>All pension business in respect of unit allocations to policyholders, on an original Terms Basis for the following products: (a) Choices Range (b) Group Money Purchase Trustee Investment Plan</p>	£21,070,000	Open to New Business only in respect of existing contracts or schemes	£1,184,082,000	Nil								

Notes to the above table:

- (g) No deposit back arrangements exist.
- (i) There are no undischarged obligations of the insurer.
- (l) All the reinsurers are authorised to carry on insurance business in the United Kingdom.
- (m) There is a connection between the Company and all reinsurers.
- (n) There are no material contingencies under the treaties.
- (o) There are no liabilities to refund commission in the event of lapse or surrender under the treaties, other than where premiums are refunded to the Company.
- (p) Not applicable.

ABSTRACT OF VALUATION REPORT (PERMANENT HEALTH FUND)

Introduction

- 1 (1) The valuation date is 31 December 2010.
- (2) The latest previous valuation date was 31 December 2009.
- (3) No interim valuations (for the purposes of Rule 9.4 of IPRU(INS)) have been carried out since the previous valuation date.

Product Range

- 2 There were no significant changes to the product range during 2010.

Discretionary charges and benefits

- 3 (1) There are no contracts where there is an option to apply a market value reduction (or equivalent).
- (2) There were no changes to premiums on reviewable protection policies during 2010.
- (3) There are no contracts with non-profit deposit administration benefits.
- (4) There are no linked policies.
- (5) There are no linked policies.
- (6) There are no linked policies.
- (7) There are no linked funds.
- (8) There are no linked funds.
- (9) There are no linked funds.
- (10) There are no linked funds.

Valuation basis (other than for special reserves)

- 4 (1) Income Protection Insurance Contracts
 - Annual premium reserves were calculated by deducting the present value of net premiums from the present value of benefits. The net premium for each policy is such a premium that, if payable for the same period and in the same manner as the actual premium and calculated on the valuation basis, would be sufficient to provide the benefits under the policy. In no case was the net premium allowed to exceed 75% of the office premium. If an additional premium was payable for an extra risk the net liability calculated as above was increased in proportion to the increase in premium. Zilmerisation was not used.
 - Group claims in payment reserves are calculated by applying an annuity factor, based on the valuation interest rate and recovery rates derived from the Company's own experience, to the current claim amount. This amount was then increased by a factor sufficient to cover the future claims expenses.
 - Individual claims in payment reserve was calculated by applying an annuity factor, based on the valuation interest rate and prudent recovery rates derived from the CMIR20 industry experience, to the current claim amount. This amount was then increased by a factor sufficient to cover the future claims expenses.
 - For fatal accident benefits the net liability was taken to be one year's office premium.
- (2) The interest rates used in the 2010 valuation and those used in 2009 investigation are as follows:

Product	31 December 2010	31 December 2009
Annual Premium	3.25%	3.75%
Claims in Payment	4.00%	4.25%
Overseas	0.75%	1.50%

- (3) The yield on non-Gilt fixed interest securities (bonds) is calculated by reference to market prices. This yield is reduced by reference to the assessed credit rating of the bond. The reduction in yield is calculated according to the following table:

<u>Credit Rating</u>	<u>Yield Reduction</u>
Approved Securities	nil
AAA	0.13%
AA	0.41%
A	0.73%
BBB	1.60%
BB	2.70%
B	6.41%

All assets are fixed interest securities with a minimum rating of B. The bond ratings are generally based on the ratings of one or more ratings agencies.

- (4) The mortality basis for the Income Protection contracts as at 31 December 2010 and 31 December 2009 valuations for pre-claim and in claim was AM80 ult -1 and AF80 ult -1.
- (5) For Group Income Protection claims in payment the termination rates are a modified CMIR12 table and modified AM/AF92 table combined. The bases used for 2010 and 2009, using a deferred period of twenty six weeks and covering all occupation classes, are as follows:

Modified CMIR12 & Modified AM/AF92 combined Termination Rates 2010				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.0344	0.0347	0.0417	0.0420
35	0.0294	0.0296	0.0362	0.0364
45	0.0246	0.0249	0.0316	0.0319
55	0.0208	0.0222	0.0287	0.0301

Modified CMIR12 & Modified AM/AF92 combined Termination Rates 2009				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.2240	0.2243	0.0599	0.0602
35	0.1847	0.1849	0.0516	0.0518
45	0.1442	0.1445	0.0444	0.0446
55	0.1036	0.1050	0.0391	0.0405

For Individual Income Protection claims in payment the termination rates are a modified CMIR12 table and modified AM/AF80-1 table combined. The basis used for 2010 and 2009, using a deferred period of twenty six weeks and covering all occupation classes, is as follows:

Modified CMIR12 & Modified AM/AF80-1 combined Termination Rates 2010 and 2009				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.1123	0.1126	0.0447	0.0451
35	0.0923	0.0924	0.0380	0.0382
45	0.0720	0.0725	0.0323	0.0329
55	0.0524	0.0550	0.0287	0.0313

The inception rates are a percentage of CMIR 12 table dependent on the deferred period as follows:

Deferred Period weeks	4	13	26	52
	85%	95%	145%	295%

- (6) The expense assumption for individual and group Income Protection claims in payment is a loading of 6% and 4.5% respectively of the benefit amount. The implicit expense allowance within the net premium reserves was tested against the discounted value of future expenses allowing for inflation. This allowance was adequate and no additional reserve is required.
- (7) With profit contracts are not issued on the Permanent Health Fund.
- (8) Contracts or benefits were valued individually and any negative values were eliminated as they arose.
- (9) There were no derivative contracts or contracts having the effect of derivative contracts during the reporting period.

Options and Guarantees

- 5 (1) No annuity contracts are issued on the Permanent Health Fund.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.

Expense Reserves

- 6 (1) An aggregate amount of £148,000 is contained in the valuation arising during the 12 months after the valuation date to meet expenses in fulfilling contracts in force at the valuation date. £129,000 is from explicit allowances and £19,000 from implicit allowances. Allowances for investment and maintenance expenses are £14,000 and £134,000 respectively. These allowances correspond to the items included in Form 43 Line 14.
- (2) Implicit allowance for expenses arises within the valuation method for individual annual premium contracts in the difference between the office premium and the net premium used in calculating the mathematical reserves.
- (3) No significant difference exists.
- (4) The fund is closed to new business and accordingly no additional reserve is required to cover the expenses of continuing to transact new business.
- (5) The fund is closed to new business and accordingly no additional reserve is required to cover the cost of closure.

Mismatching Reserves

- 7 (1) The liabilities of the Permanent Health fund are matched by assets denominated in the same currency as the respective liabilities.

	Liabilities	Assets
UK £	£10,528,000	£10,528,000
IR £	£ 703,000	£ 703,000
Total	£11,231,000	£11,231,000

- (2) No liabilities have been grouped together as 'other currencies'.
- (3) No reserve is required for currency mismatching.
- (4) No information is required by this paragraph.
- (5) No information is required by this paragraph.
- (6) No information is required by this paragraph.
- (7) No information is required by this paragraph.

Other Special Reserves

- 8 A reinsurance risk reserve of £180,000 is held for adverse deviation on reinsurance exposures.
The internal reinsurance ceded in the Permanent Health Fund is reassured to Guardian Assurance's Life Fund, i.e. within the same legal entity and therefore no additional provision is considered necessary.
The external reinsurance is with Swiss Re.

Reinsurance

- 9 (1) No premiums were payable under facultative reinsurance arrangements in the reporting period to companies not permitted to carry on insurance business in the United Kingdom.
- (2) There are no reinsurance treaties ceded where the premium or reserves are greater than the minimum of £10,000,000 or 1% of the Company's gross premium or gross reserves.

Reversionary (or annual) bonus

- 10 Policyholders do not participate in the profits of the fund and bonuses are not declared.

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

Introduction

- 1 (1) The investigation relates to 31 December 2010 (the valuation date).
- (2) The date of the previous valuation was 31 December 2009.
- (3) Not applicable.

Assets

- 2 (1) The economic assumptions used to value the profits and losses on non-profit contracts are as follows:

Date of valuation	31 Dec 2010	31 Dec 2009
Discount rate	Zero coupon gilt yield + 50% of average yield differential for corporate bonds	Zero coupon gilt yield + 50% of average yield differential for corporate bonds
Gross interest on reserves	Zero coupon gilt yield + 50% of average yield differential for corporate bonds	Zero coupon gilt yield + 50% of average yield differential for corporate bonds
Expense inflation	4.25%	4.25%
Gross unit growth rate	Zero coupon gilt yield + 0.1%	Zero coupon gilt yield + 0.1%

The zero coupon gilt yields as at 31 December 2010 are as follows:

Term	1	2	3	4	5	6	7	8	9	10	11	12
Yield %	0.64	1.04	1.52	2.02	2.35	2.69	2.99	3.33	3.58	3.76	3.89	4.00
Term	13	14	15	16	17	18	19	20	21	22	23	24
Yield %	4.08	4.16	4.22	4.27	4.32	4.38	4.43	4.47	4.46	4.48	4.52	4.53
Term	25	26	27	28	29	30	31	32	33	34	35	36+
Yield %	4.50	4.48	4.47	4.45	4.44	4.43	4.43	4.41	4.39	4.37	4.36	4.34

The addition made to the yields above to determine the discount rate is 1.01% for 25 years, representing 50% of the average yield differential for corporate bonds and 0.29% thereafter, less investment expenses of 0.085% throughout.

The future profits on non-profit business arise as follows:

Deferred annuities	£73m
Annuities in payment	£177m
Freedom unit-linked assurances	£10m
Choices unit-linked pension policies	£64m
Term assurances	£19m
Other non-profit business	£0m
Total	£343m

- (2) No information is required by this paragraph.
- (3) No information is required by this paragraph.
- (4) No information is required by this paragraph.
- (5) No information is required by this paragraph.

With-profits benefits reserve liabilities

3 (1) The with profits benefit reserves are as follows:

Class	Asset Share	Discounted cash flow	With profits benefit reserve	Future policy related liabilities	Valuation method
Pension Plus / VIP / Buy-Out Plan	£563m	£985m	£986m	£11m	See note (a)
Personal Pension	£160m	£146m	£154m	£70m	See note (a)
Pension Saver / DPA / Group Funding		£112m	£112m	Nil	See note (a)
Life Assurance	£578m	£351m	£495m	£292m	See note (a)
Freedom UWP	£67m	£40m	£59m	£27m	See note (b)
Choices & Countrywide UWP	£968m	£403m	£790m	£623m	See note (b)
<i>Total</i>			<i>£2,596m</i>	<i>£1,023m</i>	

- (a) These contracts are valued as the greater of a retrospective valuation and a prospective valuation. The retrospective valuation is an accumulation of premiums less expenses at past rates of investment return. The prospective valuation is the future guaranteed benefits discounted at zero coupon gilt yields plus 0.22% and less 0.085% investment expenses. The prospective valuation assumes future annual bonuses continue at their current rate without any allowance for terminal bonus, and future lapses and mortality assumptions are consistent with those used for the published embedded value.
- (b) UWP contracts are valued as the greater of a retrospective valuation and a prospective valuation. The retrospective valuation is an accumulation of premiums at past rates of investment return. The prospective valuation is the future guaranteed benefits discounted at zero coupon gilt yields plus 0.22% and less 0.085% investment expenses. The prospective valuation assumes future annual bonuses continue at their current rate without any allowance for terminal bonus. No allowance is made for future lapses or mortality.

(2) The amounts in the table in (1) above correspond to the amounts shown in lines 31 and 49 of Form 19.

(3) No information is required by this paragraph.

(4) No information is required by this paragraph.

With-profits benefits reserve – retrospective method

4 (1) The retrospective methods used to value with-profits contracts are as follows:

Class	Retrospective valuation method
WP Deferred Annuities (Pension Plus / VIP / Buy-Out Plan / Personal Pension / Pension Saver / DPA / Group Funding)	Premiums less expenses, commission, tax and shareholders' transfers are accumulated at past rates of investment return, plus an allowance for bonus surplus (which, from 1999, includes an allowance for the distribution of the free estate). From 2004 the asset mix assumes that future guaranteed benefits are matched by fixed interest assets. The calculation is performed for each individual policy, but where there is insufficient data (e.g. for paid-up policies) the asset share is taken as the statutory reserve multiplied by the ratio of the asset share to the statutory reserve for policies where an asset share has been calculated. We cannot calculate retrospective asset shares for approximately 22% of the business (as measured by reserves) because we do not have full premium histories, typically because policies have been altered or made paid-up. However, detailed information is available on a policy by policy basis in other respects, such as benefits secured, date of birth, normal retirement date, etc. The information available is sufficient for a prospective valuation of the liability. The with-profit benefit reserve for this class of business is primarily based on the prospective calculation.
Life Assurance	Calculated as for Pension Plus / VIP above. The proportion of reserves that have been estimated by ratioing is 14%, because asset shares are not calculated for whole of life and paid-up policies. For whole of life policies there are no system or data issues, but asset shares are not calculated because endowment asset shares are used to set terminal bonus rates. Paid-up policies make up less than 1% of the benefit reserves.
Unitised With Profits (Freedom, Choices and Countrywide)	Reserves have been calculated by accumulating past premiums paid. The rates of investment return are based on shadow fund growth up to 2003, and actual investment returns after 2003. The shadow fund is constructed from historic equity, bond and property unit prices as a proxy for with profits investment returns, adjusted for bonus surplus. The calculations are performed at individual policy level and past premiums are split by year of payment and year of maturity. Less than 1% of the reserves are based on estimated unit data.

(2) There have been no significant changes to the valuation methods for with-profits contracts.

(3) (a) The date of the last expense investigation was 31 December 2010.

(b) Expense investigations are performed annually.

(c) Expenses allocated to with-profits business are based on an expense agreement with the servicing company, under which unit costs are fixed for each contract and increase each year at RPI+1%. Prior to 1999 no such expense agreement existed. Estimated past renewal expenses are allocated to each asset share. Initial expenses assumptions are not required as the fund is closed to new business. Current maintenance expenses for business written within the with profits fund are as follows:

Class	2010 Renewal Expense Unit Cost	2010 Assumed Renewal Expenses
Pension Plus / VIP	£101.09	£934,000
Buy-Out Plan	£38.83	Included above
Life Assurance	£33.64	£917,000
Personal Pension	£37.96	£399,000
Group Scheme for Borrowers	£8,140 per scheme	Included in term assurance
Term Assurance	£20.58	£893,000
Group Funding	£7,459 per scheme	£94,000
Deposit Administration	£7,208 per scheme	£61,000
Pension Saver	£2,706 per scheme	£340,000
Annuities	£34.21	£1,425,000
Freedom	£44.25	£255,000
Choices Individual	£63.80	£2,083,000
Choices Executive	£199.09	Included in Choices above
Choices Company Account	£269.65	Included in Choices above
Choices Group	£153.84	Included in Choices above
Other		£967,000
Total		£8,368,000

- (4) No charges for guarantees or use of capital were deducted from the with profits benefit reserve during 2009 or 2010.
- (5) The charges deducted from the with profits fund for non-insurance risk are
- Investment charges of 0.075% of funds to the asset manager, changing to 0.085% for fixed interest and 0.16% for equity from 1 January 2010.
 - Tax on transfers to the shareholder.
- (6) The ratio of the claims paid over each of the last three years to the sum of the with profits benefit reserve plus past miscellaneous surplus is as follows:

	Average Ratio of Claims to With Profits Benefit Reserves		
	2010	2009	2008
Life WP	98%	98%	102%
Freedom UWP	100%	100%	100%
Choices UWP	100%	100%	100%
Pension Plus / VIP / BOP	100%	100%	100%
Personal Pension	100%	100%	100%
DPA / Pension Saver / Group Funding	100%	100%	100%

- (7) The with-profits fund investment return for the 12 months to 31 December 2010 was 12.1%. This includes assets in the fund which back non-profit business and reflects the increase in value of interest swaps over the 12 month period. The return credited to each class of with-profits business will differ according to the equity backing ratio of each class. The fund's equities returned 16.5% during the 12 months to 31 December 2010 and the bonds returned 8.4%. The gross investment return for each with profits class for the 12 months to 31 December 2010 is as follows:

Class	Investment Return
Pension Plus / VIP / Buy-Out Plan	8.5%
Life Assurance	11.6%
Personal Pension	9.8%
Unitised With Profits	13.2%
Pension Saver / DPA / Group Funding	8.4%

With-profits benefits reserve – prospective method

5 (1) The key assumptions used in the prospective valuation of the with-profits benefit reserve are as follows:

Class	Risk Discount Rate	Expense Inflation Rate	Annual Bonus Rate	Renewal Expenses per policy	Lapse Rates	Mortality Table	Gtd Annuity Take-up
Pension Plus / VIP	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	0.5%	£106.75	1.0%	50%/75% AM92/AF92 & 100% IML00 / 108% RFV00	Increasing from 65% to 85% over 20 years
Buy-Out Plan	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	0.5%	£41.01	1.0%	55%/90% AM92/AF92 & 100% IML00 / 108% RFV00	Increasing from 80% to 90% over 10 years
Life WP	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	1.0%	£37.06	3.0%	75%/70% AM92/AF92	N/A
Personal Pension	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	1.0%	£41.83	4.0%	50%/60% AM92/AF92 & 100% IML00 / 108% RFV00	Increasing from 65% to 85% over 20 years
UWP	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	Pens 1.5% Life 1.25%	N/A	0%	N/A	N/A
Pension Saver	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	5.5%	£2857.69	10%	60%/90% AM92/AF92 & 100% IML00 / 108% RFV00	N/A
DPA	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	5.0%	£7612.03	10%	60%/90% AM92/AF92 & 100% IML00 / 108% RFV00	N/A
Group Funding	Zero coupon gilt yield plus 0.22% less 0.085% investment expenses	4.25%	2.6%	£7876.48	10%	60%/90% AM92/AF92 & 100% IML00 / 108% RFV00	Increasing from 65% to 85% over 20 years

- (i) No final bonuses were assumed.
- (ii) No assumptions regarding investment returns were required as the prospective valuation was applied to future guaranteed benefits only.
- (iii) No other expense charges were made, other than the deduction of the annual management charge (1% gross) for unitised with profits business.
- (iv) The annuitant mortality projection tables used are IML00 and RFV00 “medium cohort” improvements with a 1.5% minimum annual improvement underpin, year of use projected from 2010.

(2) No information is required by this paragraph.

Cost of guarantees, options and smoothing

- 6 A close matching investment philosophy has been adopted for the fund to such an extent that the fixed interest portfolio is effectively a replicating portfolio for the guarantees and options within the with-profit fund.

In order to demonstrate that the fixed interest portfolio is an appropriate and sufficiently robust replicating portfolio deterministic stress tests have been applied to both the realistic assets and liabilities. The stress tests applied were:

- (1) Equities falling 45% and interest rates rising 1.08%
- (2) Equities falling 45% and interest rates falling 1.08%

These stress tests have been identified using stochastic techniques and are consistent with 99.5th percentile outcomes over a one year horizon and therefore have an associated probability of 1 in 200 of occurring within 12 months. As the component stresses within each scenario correspond to a 1 in 200 event, each scenario should correspond to an event which is more remote than 1 in 200.

The stresses were chosen to be weighted towards adverse scenarios to reflect market pricing for risk.

Base Position	
Realistic Value of Liabilities before addition of Estate	£3,225m
Realistic Value of Matching Assets	£3,225m
Stress Test 1	
Realistic Value of Liabilities before addition of Estate	£2,588m
Realistic Value of Matching Assets	£2,588m
Stress Test 2	
Realistic Value of Liabilities before addition of Estate	£3,081m
Realistic Value of Matching Assets	£3,081m

The above demonstrates that even in these relatively extreme scenarios the cost of the guarantees is nil. In assessing the liabilities under each scenario the projection term extended to the term of the last contract.

Financing costs

- 7 There are no financing arrangements in place.

Other long-term insurance liabilities

- 8 An amount of £49,079,056 is included in line 47 of Form 19. This amount is in respect of tax payable on future transfers to shareholders, which, consistently with the Principles & Practices of Financial Management, are charged to the Estate rather than the with profits asset shares.

Realistic current liabilities

- 9 The current liabilities shown in line 51 of Form 19 are the regulatory current liabilities. These are made up of amounts due to other group companies, outstanding claims, amounts held in suspense accounts and sundry creditors.

Risk capital margin

- 10 (a) Guidance requires the company to recognise the Estate as a realistic liability within the with profits fund, which gives rise to a risk capital margin of nil. This change in presentation has not impacted the management of the fund. If the Estate were not treated as a liability, as in the 2004 realistic balance sheet, then the risk capital margin would be £83m, and the balance sheet would be as follows:

	base position	most adverse scenario
Realistic value of assets	£3,906m	£3,352m
Realistic value of liabilities	<u>£3,225m</u>	<u>£2,873m</u>
Working capital	£681m	£479m
Required matching assets	£3,308m	£2,873m
Risk capital margin	£83m	(£3,308m less £3,225m)
Realistic excess capital	£598m	

The most adverse scenario was the following:

- (i) Equities fall by 20% and property falls by 12.5% (the fund no longer holds any owner-occupied property). This is more onerous than a rise in equities.
 - (ii) Bond yields rise by 0.70%, which is 17.5% of the 15-year Gilt yield. This is more onerous than a fall in bond yields.
 - (iii) Credit risk margins widen on corporate bonds. The average change in spread resulting from the credit stress test for the corporate bonds backing the with profits benefit reserves is 0.8%, and the average reduction in value is 6.4%.
 - (iv) Persistency rates fall by 32.5% and take up rates on non-BOP policies are increased to 80% in year 1 and then increase to 90% over 10 years. The with profits realistic liabilities increase by 0.8%.
 - (v) The changes in asset value in (iii) are independent of the changes in liability value in (iv).
- (b) No particular management actions have been assumed in calculating the risk capital margin. In particular, no changes in asset allocation or surrender value bases have been assumed. However, it is implicitly assumed that if a bond defaults it would be replaced by a bond of equivalent duration.
- (c) (i) The risk capital margin is zero. If the estate were not treated as a realistic liability then the risk capital margin would be £83m and the working capital would be £681m. The assets available to cover this risk capital margin before the addition of the estate as a realistic liability and their value in the realistic balance sheet are as follows:

Type of asset	Value
Cash	£21m
Fixed interest securities	£62m
<i>Total</i>	<i>£83m</i>

- (ii) The above assets are within the with-profits fund.

Tax

- 11 Full provision for taxation on past income and gains is made in the retrospective with-profits benefit reserve valuation, including the tax that would be due if all of the assets were sold at their current market value.

Derivatives

- 12 (i) Interest rate swaps

The fund holds a number of interest rate swaps to swap a series of fixed interest rates for a series of floating interest rates on nominal amounts in the future. The exposures at 31 December 2010 are £1,624,820,000 nominal where the fund is paying a fixed rate to the counterparty and £1,850,600,000 where the fund is receiving a fixed rate. The net market value of the swaps is -£6,692,000. The income from the swaps is matched against the future guaranteed liabilities of the fund. The counterparties are Morgan Stanley, Barclays, UBS and RBS.

- (ii) Cash settled payer swaptions

The fund holds a series of swaptions to match the maturing profile of deferred annuities with guaranteed cash option rates. The swaptions hedge against interest rates rising to the extent that the guaranteed cash option rate becomes onerous. For example, a 15 year swaption with a strike of 8% would give Guardian Assurance the right to receive a cash payment at maturity if 15 year swap rates were above 8%. The counterparty to the swaption is UBS and the market value at 31 December 2010 is £1,009,000.

- (iii) Equity Put Options

A series of equity put options have been purchased by the fund to hedge against the guaranteed maturity values on Homebuilder Plus contracts. The options are matched against the portfolio of future maturing units on Homebuilder Plus contracts and contain a basket of global equity markets based on the geographical distribution of the GLLA Managed Fund. For maturities in the next 5 years the options protect against market falls below 80% of the market level at the strike date. For later maturities the strike is at 110%. The market value at 31 December 2010 is £16,827,000.

- (iv) FTSE future

The fund holds an option to purchase LIFFE-FTSE 100 of £24,633,000. The market value of the future at 31 December 2010 is £509,000.

- (v) Gilt Total Return Swaps

The fund has exposure to gilts through Gilt Total Return Swaps (TRS), the duration added as a result of the TRS was hedged through Pay Fixed Swaps. The purpose of the combined TRS and swap package is to reduce the sensitivity of the fund to variations in the spread between yields on gilts and swap rates. The net market value of the TRS and swap package at 31 December 2010 is -£62,041,000.

Analysis of change in working capital

13	An approximate analysis of the movement in working capital since the previous valuation is as follows:	
	Working capital at 31 December 2009 before estate distribution	£550m
	Restatement of 2009 Working Capital on 2010 basis & methodology	£14m
	Equity movements impact on Working Capital	£43m
	Interest Rate movements impact on Working Capital	£74m
	Spread movements impact on Working Capital	(£5m)
	Unwind of interest margin on assets	£36m
	Allocation of free estate to asset shares	(£39m)
	Claim surpluses	£1m
	Release of reserves	£8m
	Unexplained	(£1m)
	Future estate distribution	(£681m)
	Working capital at 31 December 2010	£0m

Optional disclosure

14 No information is required by this paragraph.

Information on the Actuary who has been appointed to perform the with-profits actuary function required by rule 9.36 of the Interim Prudential Sourcebook for Insurers.

Guardian Assurance plc

Financial year ended 31 December 2010

1.
 - (a) The Actuary who has been appointed to perform the with-profits actuary function, G. A. Pennington, participates in a bonus scheme operated by AEGON NV, the ultimate parent undertaking, linked to growth in the value of AEGON NV shares over a prescribed period.
 - (b) The Actuary has the following Insurance Policies with the insurer:
 - (i) A with-profit endowment maturing in November 2021 with a guaranteed sum assured of £20,348
 - (ii) A with-profit deferred annuity maturing in April 2029 with a guaranteed annuity of £9,670
 - (iii) A term assurance policy on his wife with an initial sum assured of £200,000 reducing by £10,000 per annum and ceasing in November 2019.
 - (c) The aggregate amount of remuneration and other benefits (before tax) received by the With Profits Actuary from AEGON UK Services Ltd during the year was £121,978 under a contract of service with that company. AEGON UK Services Ltd is a wholly owned subsidiary of AEGON UK plc, the immediate parent company of Guardian Assurance plc.
 - (d) Pension, Permanent Health Insurance and lump sum life assurance benefits are provided under the standard terms and conditions of the insurer's Staff Retirement and Death Benefit Scheme.
2. The insurer made a request to him to furnish it with the particulars specified in paragraph (1) of rule 9.36. Pursuant to that request, he supplied the information in item 1 above and the insurer has nothing to add to it.

Returns under the Accounts and Statements Rules

Directors' Certificate pursuant to Appendix 9.6 (rule 9.34(1)) of the Interim Prudential Sourcebook for Insurers

Guardian Assurance plc

Financial year ended 31 December 2010

We certify that :

- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU and INSPRU as modified by the directions referred to in supplementary notes 0101, 0201 and 0314; and
(b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU (INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
- (2) (a) in our opinion, premiums for contracts entered into during the financial year and the resulting income are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
(c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
(d) we have, in preparing the return, taken and paid due regard to:
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

O. THORESEN, Chief Executive

A.T. GRACE, Director

C.J. BOUSFIELD, Director

Edinburgh, 25 March 2011

Returns under the Accounts and Statement Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Guardian Assurance Plc

Global business

Financial year ended 31 December 2010

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

- Forms 1 to 3, 11 to 19, 20A, 20, 24, 25, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes ("the Forms"));
- the statements required by IPRU(INS) rule 9.25, 9.26, 9.27 and 9.29 ("the statements"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act the written concessions referred to in supplementary note 0101 and 0201. Under IPRU(INS) rule 9.11 the Forms, the statements and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

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

Returns under the Accounts and Statement Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Guardian Assurance Plc

Global business

Financial year ended 31 December 2010

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 25 March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statements and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (a) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP

Statutory Auditor

Edinburgh

25 March 2011