

# **PA (GI) Limited**

**Annual PRA Insurance Returns for the year ended**

**31 December 2015**

**IPRU(INS) Appendices 9.1, 9.2, 9.5, 9.6**

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**Statement of solvency - general insurance business**Name of insurer **PA (GI) Limited**

Global business

Financial year ended **31 December 2015**

Solo solvency calculation

R1	Company registration number	GL/UK/CM	day month year			Units
			31	12	2015	
	71805	GL				£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	7662	7761
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	7662	7761

**Guarantee fund**

Guarantee fund requirement	21	2657	2902
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	5005	4859

**Minimum capital requirement (MCR)**

General insurance capital requirement	31		
Base capital resources requirement	33	2657	2902
Individual minimum capital requirement	34	2657	2902
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	2657	2902
Excess (deficiency) of available capital resources to cover 50% of MCR	37	6333	6310
Excess (deficiency) of available capital resources to cover 75% of MCR	38	5669	5585

**Capital resources requirement (CRR)**

Capital resources requirement	41	2657	2902
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	5005	4859

**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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Components of capital resources

Name of insurer PA (GI) Limited

Global business

Financial year ended 31 December 2015

R3	Company registration number	GL/UK/CM	day month year			Units
	71805	GL	31	12	2015	£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	3000		3000	3000
Profit and loss account and other reserves	12	4662		4662	4761
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19	7662		7662	7761

Tier one waivers

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

Other tier one capital

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>	<b>7662</b>		<b>7662</b>	<b>7761</b>
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	<b>7662</b>		<b>7662</b>	<b>7761</b>

Components of capital resources

Name of insurer PA (GI) Limited

Global business

Financial year ended 31 December 2015

R3	Company registration number	GL/UK/CM	day month year			Units
	71805	GL	31	12	2015	£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

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				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>				

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

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

Components of capital resources

Name of insurer PA (GI) Limited

Global business

Financial year ended 31 December 2015

R3	Company registration number	GL/UK/CM	day month year			Units
	71805	GL	31	12	2015	£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	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	71				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>	7662		7662	7761
Inadmissible assets other than intangibles and own shares	73				
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				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>	7662		7662	7761

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

Available capital resources for guarantee fund requirement	81	7662		7662	7761
Available capital resources for 50% MCR requirement	82	7662		7662	7761
Available capital resources for 75% MCR requirement	83	7662		7662	7761

**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				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>				

## Analysis of admissible assets

Name of insurer PA (GI) Limited

Global business

Financial year ended 31 December 2015

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	71805	GL	31	12	2015	£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		
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	14183	8300
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	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	
	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 assets**

Name of insurer **PA (GI) Limited**

Global business

Financial year ended **31 December 2015**

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	71805	GL	31	12	2015	£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	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	
	due in more than 12 months	79	

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1	2
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)			
Accrued interest and rent	84	4	3
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	14188	8305
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**Analysis of admissible assets**

Name of insurer **PA (GI) Limited**

Global business

Financial year ended **31 December 2015**

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	71805	GL	31	12	2015	£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	14188	8305
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		
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	14188	8305
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Liabilities (other than long term insurance business)**Name of insurer **PA (GI) Limited**

Global business

Financial year ended **31 December 2015**

R15	Company registration number	GL/UK/CM	day month year			Units
			31	12	2015	
	71805	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

**Technical provisions (gross amount)**

Provisions for unearned premiums	11		
Claims outstanding	12		
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		

**Provisions and creditors**

Provisions	Taxation	21		
	Other risks and charges	22	6000	300
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	8	81
	Foreseeable dividend	48		
	Other	49	518	163
Accruals and deferred income		51		
Total (19 to 51)		59	6526	544
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	6526	544

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	7862	7761
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	14188	8305

## Profit and loss account (non-technical account)

Name of insurer PA (GI) Limited

Global business

Financial year ended 31 December 2015

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	71805	GL	31	12	2015
					This financial year		Previous year
					1		2
Transfer (to)/from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13					
Investment income	Income	14		39		39	
	Value re-adjustments on investments	15					
	Gains on the realisation of investments	16					
Investment charges	Investment management charges, including interest	17					
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					
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		(7130)		(724)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29		(7091)		(685)	
Tax on profit or loss on ordinary activities		31		8		36	
Profit or loss on ordinary activities after tax (29-31)		39		(7099)		(721)	
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		(7099)		(721)	
Dividends (paid or foreseeable)		51					
Profit or loss retained for the financial year (49-51)		59		(7099)		(721)	

## NOTES TO APPENDIX 9.1

### \*0103\* General Insurance Business Transfer Agreement

With effect from 1 January 2012 the Company transferred its remaining general insurance liabilities to Royal & Sun Alliance in accordance with a scheme under Part VII of the Financial Services and Markets Act 2000 ("The Scheme"), approved by the High Court on 12 December 2011.

### \*0201\* Modification to the Return in respect of long-term insurance business

- (i) The Prudential Regulation Authority, on the application of the firm, issued to the firm in May 2015, a direction, under section 138A of the Financial Services and Markets Act 2000. The effect of the direction was to permit the firm to waive the notification period required for an insurer to notify the appropriate regulator of their intention to repay relevant tier two instruments before becoming committed to the proposed repayment. This waiver expired on 30 June 2015.
- (ii) The Prudential Regulation Authority, on the application of the firm, issued to the firm in May 2015, a direction, under section 138A of the Financial Services and Markets Act 2000. The effect of the direction was to permit the firm to waive the notification period required for an insurer to notify the appropriate regulator of their intention to redeem a tier one instrument before it became committed to the proposed redemption. This waiver expired on 30 June 2015.

### \*0301\* Reconciliation of net admissible assets to capital resources after deductions

The reconciliation of the net admissible assets to total capital resources after deductions is as follows:

	2015 £'000	2014 £'000
Admissible assets – Form 13 line 89	14,188	8,305
Less Liabilities – Form 15 line 69	6,526	544
Net admissible assets	<u>7,662</u>	<u>7,761</u>
Capital resources after deductions - Form 3 line 79	<u>7,662</u>	<u>7,761</u>

### \*0313\* Reconciliation of the movement in profit and loss account and other reserves

	2015 £'000
Profit and loss account and other reserves – Form 3 line 12 column 3	4,662
Profit and loss account and other reserves – Form 3 line 12 column 4	4,761
Movement	<u>(99)</u>
Represented by:	
Loss retained for the financial year – Form 16 line 59	(7,099)
Capital contribution received	<u>7,000</u>
	<u>(99)</u>

\*1100, 1200, 1700, 20A00, 2000, 2100, 2200, 2300, 2400, 2500, 2600, 2700, 2800, 2900, 3000, 3100, 3200, 3400, 3600, 3700, 3800, 3900\*

Forms 11, 12, 17, 20A, 20 – 32, 34 and 36 to 39 have been omitted because all entries are blank.

## NOTES TO APPENDIX 9.1 (continued)

### \*1305\* Maximum counterparty limits

The investment guidelines in force during the year state that exposure to any one counterparty shall be subject to the following upper limits:-

- (i) Exposure (excluding short term deposits) to any counterparty to be not more than 5% of the business amount.
- (ii) Exposure (including short term deposits) to any approved counterparty to be not more than 10% of the business amount.

There were no breaches of the guidelines during the financial year.

### \*1501\* Provision for reasonably foreseeable adverse variations

The Company does not have any obligations that would give rise to a provision for reasonably foreseeable adverse variations under INSPRU 3.2.17R to 3.2.18R and does not own any assets that would give rise to valuation adjustments or reserves under GENPRU 1.3.30R to 1.3.33R

### \*1502\* Contingent liabilities

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the other than long term business.
- (c) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.
- (d) In the opinion of the Directors, other than disclosed in note 1504, there are no other fundamental uncertainties affecting the financial position of the insurer.

### \*1504\* Provisions

Following a hearing in May 2015, the Court ruled that the Company was the appropriate respondent to PPI mis-selling complaints relating to business originally underwritten by the Company but subsequently transferred to third parties in accordance with Part VII of the Financial Services and Markets Act 2000. As a result of this ruling, the Company has established processes to review the complaints received, and, where appropriate, provide redress to the policyholder. At 31 December 2015, the Company had received circa 550 complaints which include those referred to the Company by FOS.

The total amount provided represents the Company's best estimate of the likely future costs. However, this is subject to a number of risks and uncertainties including complaint volumes, uphold rates of complaints, and average redress paid. The ultimate cost of these factors could differ materially from the Company's estimates and assumptions of the total potential liability with the result that an increase in the provision may be required in future.

## NOTES TO APPENDIX 9.1 (continued)

Examples of the key sensitivities are as follows:

- 10% increase in the expected number of complaints received would increase the provision by £481,000;
- 5% increase in the uphold rate would increase the provision by £266,000;
- £100 increase in the average redress per complaint upheld would increase the provision by £96,000.

At 31 December 2015, no allowance has been made for any recovery under either the Company's professional indemnity insurance or any third party to whom the policies were transferred under a Part VII scheme.

### \*1601\* Basis of conversion of foreign currency

Transactions in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities the resulting exchange adjustments are included within the profit and loss account (non-technical account).

### \*1603\* Other income and charges

The charge of £7,130,000 (2014 £724,000) on Form 16 Line 21 can be represented by:

	2015 £'000	2014 £'000
Other Income and Charges – Form 16 line 21	<u>7,130</u>	<u>724</u>
Represented by:		
Legal costs in respect of PPI mis-selling	893	445
Compensation payments	12	-
Other administrative costs	525	279
Provision for PPI mis-selling	<u>5,700</u>	<u>-</u>
	<u>7,130</u>	<u>724</u>

### \*1605, 2007\* Material connected party transactions

Pearl Group Services Limited and Pearl Group Management Services Limited provide management services to the Company, in the form of staff and other services. The charge made to the Company for the year ended 31 December 2015 amounted to £1,336,000 and at the end of the year £518,000 remained outstanding.

Returns Under Accounts and Statement Rules

PA (GI) Limited

Global business

Financial year ended 31 December 2015

**Statement of major facultative reinsurers required by rule 9.26**

Following the Part VII transfer detailed in note 0103, the Company has no major treaty reinsurers.

**Statement of major facultative reinsurers required by rule 9.26**

Following the Part VII transfer detailed in note 0103, the Company has no major facultative reinsurers.

**Statement of major general insurance business reinsurance cedants required by rule 9.27**

Following the Part VII transfer detailed in note 0103, the Company has no major reinsurance cedants.

**Statement of additional information on general insurance business ceded required by rule 9.32**

Following the Part VII transfer detailed in note 0103, there have been no contracts of insurance entered into or modified during the financial year under which general insurance business has been ceded by the insurer on a non facultative basis.

**Statement of additional information on financial reinsurance and financing arrangements required by rule 9.32A**

Following the Part VII transfer detailed in note 0103, the insurer has no contracts of insurance which meet the conditions in rule 9.32A (2)

**Returns under the Accounts and Statements Rules**

**Statement of additional information on derivative contracts required by rule 9.29**

**PA (GI) Limited**

**Global Business**

**Financial year ended 31 December 2015**

The investment guidelines do not permit the Company to enter into any derivative contracts and it has not been a party to any such contracts during 2015.



## Returns under the Accounts and Statements Rules

### Statement of additional information on controllers required by rule 9.30

#### PA (GI) Limited

#### Global Business

#### Financial year ended 31 December 2015

The persons who, to the knowledge of the insurer, have been controllers at any time during the financial year were:

- a) Pearl Life Holdings Limited
- b) Impala Holdings Limited
- c) Phoenix Life Holdings Limited
- d) PGH (LCA) Limited
- e) PGH (LCB) Limited
- f) Phoenix Group Holdings
- g) PGH (LC1) Limited #
- h) PGH (LC2) Limited #
- i) PGH (MC1) Limited #
- j) PGH (MC2) Limited #
- k) PGH (TC1) Limited #
- l) PGH (TC2) Limited #

# ceased to be a controller of the insurer on 28 May 2015

In relation to each such person, the information required to be disclosed pursuant to rule 9.30 (b) is as follows:

#### 1. Pearl Life Holdings Limited

As at 31 December 2015, Pearl Life Holdings Limited held 100% of the issued share capital of PA (GI) Limited and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of PA (GI) Limited.

#### 2. Impala Holdings Limited

As at 31 December 2015, Impala Holdings Limited held 100% of the issued share capital of Pearl Life Holdings Limited, a company of which PA (GI) Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Pearl Life Holdings Limited.

#### 3. Phoenix Life Holdings Limited

As at 31 December 2015, Phoenix Life Holdings Limited held 100% of the issued share capital of Impala Holdings Limited, a company of which PA (GI) Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Impala Holdings Limited.

#### 4. PGH (LCA) Limited

As at 31 December 2015, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which PA (GI) Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

## Returns under the Accounts and Statements Rules

### Statement of additional information on controllers required by rule 9.30

#### PA (GI) Limited

#### Global Business

#### Financial year ended 31 December 2015

(continued)

#### 5. PGH (LCB) Limited

As at 31 December 2015, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which PA (GI) Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

#### 6. Phoenix Group Holdings

As at 31 December 2015, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited, which between them held 100% of the shares of Phoenix Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Phoenix Group Holdings was entitled to exercise 100% of the voting power at any general meeting of PGH (LCA) Limited and PGH (LCB) Limited which between them held 100% of the shares of Phoenix Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking.

#### 7. PGH (LC1) Limited

As at 31 December 2015, PGH (LC1) Limited held no shares (equivalent to nil %) in PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (LC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of PA (GI) Limited or another company of which PA (GI) Limited is a subsidiary undertaking.

#### 8. PGH (LC2) Limited

As at 31 December 2015, PGH (LC2) Limited held no shares (equivalent to nil %) in PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (LC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of PA (GI) Limited or another company of which PA (GI) Limited is a subsidiary undertaking.

#### 9. PGH (MC1) Limited

As at 31 December 2015, PGH (MC1) Limited held no shares (equivalent to nil %) in PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (MC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking.

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

### **Statement of additional information on controllers required by rule 9.30**

#### **PA (GI) Limited**

##### **Global Business**

##### **Financial year ended 31 December 2015**

(continued)

#### **10. PGH (MC2) Limited**

As at 31 December 2015, PGH (MC2) Limited held no shares (equivalent to nil %) in Phoenix Life Limited or any other company of which PA (GI) Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (MC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking.

#### **11. PGH (TC1) Limited**

As at 31 December 2015, PGH (TC1) Limited held no shares (equivalent to nil %) in PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (TC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking.

#### **12. PGH (TC2) Limited**

As at 31 December 2015, PGH (TC2) Limited held no shares (equivalent to nil %) in PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (TC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of PA (GI) Limited or any other company of which PA (GI) Limited is a subsidiary undertaking.

**Returns under the Accounts and Statements Rules**

**Certificate required by rule 9.34(1)**

**PA (GI) Limited**

**Global Business**

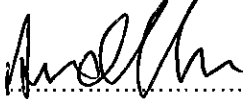
**Financial year ended 31 December 2015**

We certify that:

- (1) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU.
- (2) we are satisfied that:
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of Fundamental Rules, SYSC and as well as the provisions of IPRU(INS), GENPRU and INSPRU.

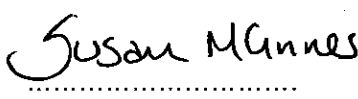
The certificate required by IPRU(INS) Appendix 9.6 paragraph 1(1)(b)(ii) in respect of compliance since the end of the financial year in question with the requirements in SYSC, Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and ongoing compliance has not been provided. This is because these requirements have been replaced as from 1 January 2016, the commencement date of Solvency II, so the firm is subject to a new regulatory regime.

A Moss



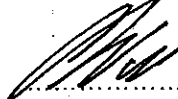
Director

S D McInnes



Director

S J Watts



Authorised signatory on behalf  
of Pearl Group Secretariat  
Services Limited

Company Secretary

Date: 18 March 2016

## Returns under the Accounts and Statements Rules

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

### **PA (GI) Limited**

#### **Global business**

#### **Financial year ended 31 December 2015**

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

- Forms 1, 3, 13, 15 and 16 (including the supplementary notes) ("the Forms"); and
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 ("the statements").

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

- the statements required by IPRU(INS) rules 9.30, 9.32 and 9.32A; 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 opinion we have formed.

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

The insurer is responsible for the preparation of an annual return (including the Forms and the statements) under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms and the statements 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.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms and the statements 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 Statements Rules

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

**PA (GI) Limited**

**Global business**

**Financial year ended 31 December 2015**

**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 and the statements. 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 ~~11~~ March 2016. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms and the statements.

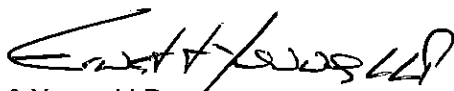
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and the statements are free from material misstatement, whether caused by fraud or other irregularity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

**Emphasis of Matter – Quantification of PPI mis-selling provision**

In forming our opinion on the forms and the statements, which is not modified, we have considered the adequacy of the disclosures made in supplementary note 1504 to Appendix 9.1 concerning the quantification of the PPI mis-selling provision. The Directors consider that the provision is fairly stated on the basis of the information currently available to them. However, the ultimate estimate of the provision is subject to significant uncertainty and may differ materially from the estimate that is currently provided in the financial statements. In our opinion the above is material in determining whether the insurer has available assets in excess of its capital resources requirement.

**Opinion**

In our opinion the Forms and the statements fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules.



Ernst & Young LLP

Statutory Auditor

London

24 March 2016