

# Glossary

## **AMP**

AMP Limited and its controlled entities

## **annuity**

a periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums

## **CDI**

a CHES Depositary Interest representing one ordinary share. These are quoted on the Australian Stock Exchange

## **CDO**

Collateralised Debt Obligations

## **closed or closed book**

a book of business with no new customers, although there are limited volumes of new business, for example, to meet contractual obligations to existing policyholders or to cater for new members to certain group schemes

## **commutation**

an agreement negotiated between an insured and insurer, usually involving the payment of a lump sum which relieves the insurer of the obligation to meet all current debts and anticipated future liabilities under one or more than one specific insurance contract

## **Companies Act 1985**

the UK Companies Act 1985, as amended

## **Completion**

the completion of the sale of the Life Services business to Life Company Investor Group Limited pursuant to the terms of the sale agreement

## **Corporations Act 2001**

the Australian Corporations Act 2001

## **CRR**

the Capital Resources Requirement, i.e. the excess of available capital resources to cover long-term insurance business

## **embedded value**

an actuarially determined estimate of the economic value of the shareholder capital in the Life Services businesses and the profits expected to emerge from the business in force

## **FRC**

Financial Reporting Council

## **free assets**

the excess of available assets (admissible assets less total liabilities) over and above the CRR

## **Free Asset Ratio or FAR**

this has been calculated in this document as the free assets divided by total liabilities; this is one of the key regulatory capital measures for UK life insurers. Note that the calculation for the 2004 FARs are not directly comparable with 2003 due to changes in the rules for assessing capital adequacy. In particular, the asset figures are calculated on a twin peaks basis

## **general insurance**

non-life insurance covering risks such as motor vehicle liability, fire and damage to property

## **Group**

HHG PLC and its controlled entities

## **Henderson Group plc**

the remaining group (after the sale of the Life Services business) which will comprise Henderson Global Investors (Henderson) and Towry Law

## **in force business**

long-term business which has been written before a specified date and which has not terminated before that date

## **ISA**

Individual Savings Accounts

## **Life Services**

comprises principally the life insurance and pension books of Pearl, London Life, NPLL and NPIL, which are effectively closed to new business; Life Services also includes the closed general insurance books of Pearl, the pension trustee business of Premier Pension Trustees Limited and the retirement services business operated by NPIL

## **Life Services business**

the legal entities of the life business of the Group which comprise principally (i) the life insurance and pension books of Pearl, London Life, NPLL and NPIL, which are effectively closed to new business, (ii) the unit-linked companies and (iii) the Service Company which provides administrative services to these businesses, all of which are owned (directly or indirectly) by Pearl Assurance Group Holdings Limited, the shares of which are being sold to Life Company Investor Group Limited

## **liquidity**

net cash flows available for investment in the Consolidated Cash Flow Statement

## **London Life**

London Life Limited

## **long-term fund**

a segregated fund of assets and liabilities established and maintained by a life insurance company for the purpose of supporting a long-term business

## **non-profit policy**

a policy where the value of the policy or product is either linked directly to the performance of the underlying assets (such as a unit-linked policy), or is guaranteed by the insurer. Also known as a non-participating policy

## **NPI**

National Provident Institution

## **NPIL**

NPI Limited

## **NPLL/National Provident Life**

National Provident Life Limited

## **OEIC**

Open-Ended Investment Company

## **profit before tax**

profit before tax represents the profit before tax for the year attributable to shareholders of HHG PLC (the Company)

## **Pearl**

Pearl Assurance plc

## **PVIF**

Present Value of In Force Business. This represents the discounted future margins on an in force portfolio of long-term business. It is only recognised on the balance sheet when it has been acquired for value and is then amortised over its expected life

## **reinsurance**

the insuring again by an insurer of the whole or part of a risk that it has already insured for a customer with another insurer called a reinsurer. The expression "reassurance" is sometimes used to describe the same arrangements when made by a life insurance company

## **Remaining Group**

Henderson Group plc

## **run-off**

the administration of insurance portfolios that have been closed to new business

## **Service Company**

HHG Services Limited

## **traditional**

when used in respect of an embedded value or value of new business, an approach which allows for risk and uncertainty in a relatively simple way, through the choice of the rate used to discount expected profits and flows of supporting capital back to the present

## **TSR**

Total Shareholder Return

## **underwriting**

the insurer's process of reviewing applications for insurance cover and the decision whether to accept all or part of the risk and determination of the applicable premiums; also refers to the acceptance of such risk

## **unitised with-profits**

a policy under which the value of the benefits is measured in whole or in part by reference to the with-profits units allocated to that policy

## **unit trust**

a trust in which investors (unit holders) obtain an interest. Unlisted trusts often permit investors to exit their investment by having their units purchased or redeemed at a price closely reflecting the underlying market value of the trust's investments

## **with-profits policy or participating policy**

a policy under which (in addition to guaranteed benefits specified in the policy) additional bonuses may be payable. The declaration of such bonuses (usually annually) reflects, amongst other things, the overall investment performance of the fund of which the policy forms part; "without-profits policy" or "non-participating policy" means a policy where no such additional bonuses are payable

## **with-profits units**

notional units whose value or number varies by reference to premiums paid, to bonuses declared or surpluses otherwise distributed for the purposes of calculating benefits payable under policies