Phoenix & London Assurance Limited

Annual FSA Insurance Returns for the year ended

31 December 2009

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

Contents

Appendix 9.6

Statement of solvency - long-term insurance business

Name of insurer	**Phoenix & London Assurance Limited**
Global business	
Financial year ended	**31 December 2009**
Solo solvency calculation	

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	894616	GL	31	12	2009	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	483653	252613
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	400969	410196
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	884622	662809
Guarantee fund			
Guarantee fund requirement	21	71162	79866
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	813460	582943
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	213487	239598
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	213487	239598
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	213487	239598
Excess (deficiency) of available capital resources to cover 50% of MCR	37	518097	275870
Excess (deficiency) of available capital resources to cover 75% of MCR	38	724507	483110
Enhanced capital requirement			
With-profits insurance capital component	39	174570	56976
Enhanced capital requirement	40	388057	296574
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	388057	296574
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	496566	366235
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Covering Sheet to Form 2 **Form 2**

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

....	M J Merrick	**Chief Executive**
....	J S B Smith	**Director**
....	J P Evans	**Director**

Date: 25 March 2010

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Form 3
(Sheet 1)

Components of capital resources

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	894616	GL	31	12	2009	£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		81000	81000	81000
Profit and loss account and other reserves	12		303303	303303	263857
Share premium account	13				
Positive valuation differences	14		240537	240537	50812
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		624840	624840	395669
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		624840	624840	395669
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		624840	624840	395669

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	894616	GL	31	12	2009	£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		270000	270000	270000
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49		270000	270000	270000
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		270000	270000	270000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		270000	270000	270000

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	894616	GL	31	12	2009	£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				
Total capital resources before deductions (39+69+71)	72		894840	894840	665669
Inadmissible assets other than intangibles and own shares	73		10218	10218	2860
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		884622	884622	662809
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		884622	884622	662809
Available capital resources for 50% MCR requirement	82		624840	624840	395669
Available capital resources for 75% MCR requirement	83		884622	884622	662809
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				

Form 11

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

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units
R11	894616	GL	31	12	2009	£000

			This financial year 1	Previous year 2
Gross premiums written		11	10535	12950
Premiums taxes and levies (included in line 11)		12		
Premiums written net of taxes and levies (11-12)		13	10535	12950
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	10535	12950
Gross premiums earned		21	10535	12950
Premium taxes and levies (included in line 21)		22		
Premiums earned net of taxes and levies (21-22)		23	10535	12950
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	10535	12950
Sub-total I (higher of sub-total A and sub-total H)		30	10535	12950
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	1896	2331
	Excess (if any) over 57.5M EURO x 0.02	33		
Sub-total J (32-33)		34	1896	2331
Claims paid in period of 3 financial years		41	45150	46696
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	28012	33089
	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	35321	42073
	For insurance business accounted for on an accident year basis	45		
Sub-total C (41+42+43-44-45)		46	37841	37712
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	35437	33392
Sub-total D (46-47)		48	2404	4320
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)		49	0.50	0.50
Premiums amount (Sub-total J x reinsurance ratio)		50	948	1166
Provision for claims outstanding (before discounting and net of reinsurance		51		645
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		1634
Greater of lines 50 and 53		54	948	1634

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

	Company registration number	GL/ UK/ CM	day	month	year	Units
R12	894616	GL	31	12	2009	£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	45150	46696
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22	28012	33089
	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	35321	42073
	For insurance business accounted for on an accident year basis	25		
Claims incurred in reference period (21+22+23-24-25)		26	37841	37712
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	37841	37712
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	12614	12571
Division of sub-total F (gross adjusted claims amount)	x 0.26	32	3280	3268
	Excess (if any) over 40.3M EURO x 0.03	33		
Sub-total G (32-33)		39	3280	3268
Claims amount Sub-total G x reinsurance ratio (11.49)		41	1640	1634
Higher of premiums amount and brought forward amount (11.54)		42	948	1634
General insurance capital requirement (higher of lines 41 and 42)		43	1640	1634

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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	894616	GL	31	12	2009	£000	1

			As at end of this financial year 1	As at end of the previous year 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	10	1201
	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	401468	387507
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	3892	4112
	Other	46		
Variable interest securities	Approved	47		
	Other	48	58	21393
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		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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	894616	GL	31	12	2009	£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	26	63
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	968	1848
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	406422	416123

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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	894616	GL	31	12	2009	£000	1

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	406422	416123
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	253334	221279
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	659756	637402

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2009	£000	10

			As at end of this financial year 1	As at end of the previous year 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	202065	187275
	Debts and loans	30		
Other financial investments				
Equity shares		41	82211	182984
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	288602	115898
Rights under derivative contracts		44	268390	729308
Fixed interest securities	Approved	45	3177056	3611151
	Other	46	1401686	1301099
Variable interest securities	Approved	47	170180	162542
	Other	48	9120	14267
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	4285	5197
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	53393	47271
	Property linked	59	1865	1807

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2009	£000	10

			As at end of this financial year 1	As at end of the previous year 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	2295	4141
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		978
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	186954	45752
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	31908	59818
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	69229	70420
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	7343	6675
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	5956583	6546585

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2009	£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	5956583	6546585
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	10218	2860
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	1117295	1046679
Other asset adjustments (may be negative)	101	(253549)	(221494)
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	6830547	7374630

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and margins

Name of insurer	**Phoenix & London Assurance Limited**
Global business	
Financial year ended	**31 December 2009**
Total business/Sub fund	**Ordinary Long Term Business**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	4921686	5518068
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	210539	160500
Long term insurance business fund carried forward (11 to 13)		14	5132225	5678568
Claims outstanding	Gross	15	44722	50270
	Reinsurers' share	16		
	Net (15-16)	17	44722	50270
Provisions	Taxation	21		
	Other risks and charges	22	4495	2937
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	2279	8351
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		9089
	Other	38	499748	705152
Accruals and deferred income		39		105
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	551245	775904
Excess of the value of net admissible assets		51	273114	92113
Total liabilities and margins		59	5956583	6546585

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1865	1807

Total liabilities (11+12+49)	71	5472930	6293972
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1117295	1046679
Other adjustments to liabilities (may be negative)	74	240322	33979
Capital and reserves and fund for future appropriations	75		
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	6830547	7374630

Liabilities (other than long term insurance business)

Name of insurer	**Phoenix & London Assurance Limited**
Global business	
Financial year ended	**31 December 2009**

	Company registration number	GL/UK/CM	day	month	year	Units
R15	894616	GL	31	12	2009	£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		
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		
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	4797	4125
	Foreseeable dividend	48		
	Other	49	656	1802
Accruals and deferred income		51		
Total (19 to 51)		59	5453	5927
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	270000	270000
Total (59 to 63)		69	275453	275927
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance		71	270656	271802
Amounts deducted from technical provisions for discounting		82		
Other adjustments (may be negative)		83		16618
Capital and reserves		84	384303	344857
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	659756	637402

Form 16

Profit and loss account (non-technical account)

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day	month	year	Units
R16	894616	GL	31	12	2009	£000

			This financial year 1	Previous year 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	930	(71938)
Investment income	Income	14	23569	27117
	Value re-adjustments on investments	15		236
	Gains on the realisation of investments	16	164	13045
Investment charges	Investment management charges, including interest	17	13720	17054
	Value re-adjustments on investments	18	1449	
	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	9645	(5359)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	19138	(53952)
Tax on profit or loss on ordinary activities		31	5096	4825
Profit or loss on ordinary activities after tax (29-31)		39	14042	(58778)
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	14042	(58778)
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	14042	(58778)

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2009**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	894616	GL	31	12	2009	£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		11162	426946	
	Interest rates	12	199829	334845	3155595	3459224
	Inflation	13				
	Credit index / basket	14				
	Credit single name	15				
	Equity index	16	7636	7410	12610	9846
	Equity stock	17				
	Land	18				
	Currencies	19	4196	4187	4188	5254
	Mortality	20				
	Other	21				
In the money options	Swaptions	31	12035		49174	100000
	Equity index calls	32				
	Equity stock calls	33				
	Equity index puts	34				
	Equity stock puts	35				
	Other	36				
Out of the money options	Swaptions	41	44694			2198237
	Equity index calls	42				
	Equity stock calls	43				
	Equity index puts	44				
	Equity stock puts	45				
	Other	46				
Total (11 to 46)		51	268390	357604	3648513	5772561
Adjustment for variation margin		52				
Total (51 + 52)		53	268390	357604		

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.

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Phoenix & London Assurance Limited**
With-profits fund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	11	5956583	6546585
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	1387553	1234723
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	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	4569031	5311862
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	3534133	4283346
	Regulatory current liabilities of the fund	22	848526	1066535
	Total (21+22)	29	4382659	5349881
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	213414	239598
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	4596074	5589479
Regulatory excess capital (19-39)		49	(27043)	(277617)

Realistic excess capital

Realistic excess capital	51	(116901)	(187298)

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	89858	(90319)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62	297282	290631
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63	158336	125163
Present value of future shareholder transfers arising from distribution of surplus	64	54234	18173
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	174570	56976

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Phoenix & London Assurance Limited**

With-profits fund **Ordinary Long Term Business**

Financial year ende **31 December 2009**

Units **£000**

Realistic value of assets available to the fund

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets		11	4569031	5311862
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	104117	(21840)
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	4673147	5290022
Support arrangement assets		27		
Assets available to the fund (26+27)		29	4673147	5290022
Realistic value of liabilities of fund				
With-profits benefit reserve		31	3468337	3224029
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	690	920
	Planned enhancements to with-profits benefits reserve	34	757	1249
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	191807	279320
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	340264	670253
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	313202	803301
	Future costs of smoothing (possibly negative)	44	14483	5012
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	79130	58668
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	555339	1258243
Realistic current liabilities of the fund		51	649471	807750
Realistic value of liabilities of fund (31+49+51)		59	4673147	5290022

Realistic balance sheet

Name of insurer **Phoenix & London Assurance Limited**

With-profits fund **Ordinary Long Term Business**

Financial year ende(**31 December 2009**

Units **£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	4790048	5477320
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	4790048	5477320
Risk capital margin for fund (62-59)	65	116901	187298
Realistic excess capital for fund (26-(59+65))	66	(116901)	(187298)
Realistic excess available capital for fund (29-(59+65))	67	(116901)	(187298)
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	367388	331442
Additional amount potentially available for inclusion in line 63	82		

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	58160	103446
Investment income receivable before deduction of tax	12	300599	282753
Increase (decrease) in the value of non-linked assets brought into account	13	(480807)	351694
Increase (decrease) in the value of linked assets	14	126	(997)
Other income	15		
Total income	19	(121922)	736896
Expenditure			
Claims incurred	21	364909	451677
Expenses payable	22	42651	29549
Interest payable before the deduction of tax	23	17391	18520
Taxation	24	(1460)	33745
Other expenditure	25		
Transfer to (from) non technical account	26	930	(71938)
Total expenditure	29	424421	461553
Business transfers - in	31	113745	123139
Business transfers - out	32	113745	123139
Increase (decrease) in fund in financial year (19-29+31-32)	39	(546343)	275343
Fund brought forward	49	5678568	5403225
Fund carried forward (39+49)	59	5132225	5678568

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	83729	24974	237	108940	153671
Single premiums	12	(107)	(701)		(808)	1282
Reinsurance - external						
Regular premiums	13	1114	22		1136	1311
Single premiums	14		3057		3057	
Reinsurance - intra-group						
Regular premiums	15	35315	11488	5	46808	51980
Single premiums	16		(1029)		(1029)	(1784)
Net of reinsurance						
Regular premiums	17	47300	13464	232	60996	100380
Single premiums	18	(107)	(2729)		(2836)	3066
Total						
Gross	19	83622	24273	237	108132	154953
Reinsurance	20	36429	13538	5	49972	51507
Net	21	47193	10735	232	58160	103446

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	34717	8774	22	43513	29978
Disability periodic payments	12	5031			5031	5323
Surrender or partial surrender	13	72522	118463	321	191306	382908
Annuity payments	14	1945	42764	1787	46496	39857
Lump sums on maturity	15	179802	6513	1188	187503	251302
Total	16	294017	176514	3318	473849	709368
Reinsurance - external						
Death or disability lump sums	21	1623			1623	(159)
Disability periodic payments	22	632			632	584
Surrender or partial surrender	23	218	(90)		128	52
Annuity payments	24		1	248	249	372
Lump sums on maturity	25	189			189	
Total	26	2661	(89)	248	2820	849
Reinsurance - intra-group						
Death or disability lump sums	31	24956	1570		26526	23318
Disability periodic payments	32	4472			4472	2227
Surrender or partial surrender	33	21756	38846		60602	211261
Annuity payments	34					
Lump sums on maturity	35	3281	11240		14521	20036
Total	36	54465	51656		106121	256842
Net of reinsurance						
Death or disability lump sums	41	8138	7204	22	15364	6819
Disability periodic payments	42	(73)			(73)	2512
Surrender or partial surrender	43	50548	79707	321	130576	171595
Annuity payments	44	1945	42763	1539	46247	39485
Lump sums on maturity	45	176333	(4727)	1188	172794	231266
Total	46	236891	124947	3070	364909	451677

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					
Commission - other	12	1063	1008		2071	2132
Management - acquisition	13					
Management - maintenance	14	8658	11422		20080	19611
Management - other	15	3242	19257		22499	10017
Total	16	12963	31687		44650	31761
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22	54	51		105	119
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	54	51		105	119
Reinsurance - intra-group						
Commission - acquisition	31					73
Commission - other	32	970	923		1894	2020
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	970	923		1894	2093
Net of reinsurance						
Commission - acquisition	41					(73)
Commission - other	42	39	34		72	(7)
Management - acquisition	43					
Management - maintenance	44	8658	11422		20080	19611
Management - other	45	3242	19257		22499	10017
Total	46	11939	30712		42651	29549

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer **Phoenix & London Assurance Limited**

Total business

Financial year ended **31 December 2009**

Units **£000**

		Financial year 1	Previous year 2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11	541	462
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	541	462
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	541	462
Directly held linked assets			
Value of directly held linked assets	21	1325	1345
Total			
Value of directly held linked assets and units held (18+21)	31	1865	1807
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	1865	1807

Form 45

Long-term insurance business : Revenue account for internal linked funds

Name of insurer	**Phoenix & London Assurance Limited**
Total business	
Financial year ended	**31 December 2009**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Value of total creation of units	11		
Investment income attributable to the funds before deduction of tax	12	66	17
Increase (decrease) in the value of investments in the financial year	13	161	(218)
Other income	14		
Total income	19	227	(201)
Expenditure			
Value of total cancellation of units	21	146	187
Charges for management	22	2	4
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	149	191
Increase (decrease) in funds in financial year (19-29)	39	78	(392)
Internal linked fund brought forward	49	462	854
Internal linked funds carried forward (39+49)	59	541	462

Form 46

Long-term insurance business : Summary of new business

Name of insurer **Phoenix & London Assurance Limited**

Total business

Financial year ended **31 December 2009**

Units **£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	11	274	109	7	390	292
Single premium business	12		469		469	606
Total	13	274	578	7	859	898
Amount of new regular premiums						
Direct insurance business	21	33	32	3	69	123
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	33	32	3	69	123
Amount of new single premiums						
Direct insurance business	25		475		475	2000
External reinsurance	26					
Intra-group reinsurance	27					
Total	28		475		475	2000

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix & London Assurance Limited**
Total business	
Financial year ended	**31 December 2009**
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
125	Conventional endowment with-profits OB target cash	1	0		
300	Regular premium non-profit WL/EA OB	1	0		
325	Level term assurance	265	31		
330	Decreasing term assurance	7	2		

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix & London Assurance Limited**
Total business	
Financial year ended	**31 December 2009**
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
155	Conventional pensions endowment with-profits	22	6	450	462
165	Conventional deferred annuity with-profits			4	3
185	Group conventional pensions endowment with-profits	84	26	1	1
305	Single premium non-profit WL/EA OB			3	6
325	Level term assurance	3	1		
435	Miscellaneous non-profit			11	2

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix & London Assurance Limited**
Total business	
Financial year ended	**31 December 2009**
Units	**£000**
Overseas / 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	5	2		
330	Decreasing term assurance	2	2		

Form 48

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

Name of insurer	**Phoenix & London Assurance Limited**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2009**
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	910041	917648	52175	3.82	
Other fixed interest securities	13	411947	414647	24416	5.80	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	10306				
Total	19	1332295	1332295	76590	4.44	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21		202065	13512	6.69	55.19
Approved fixed interest securities	22	2301316	2431829	91533	3.83	1.32
Other fixed interest securities	23	1022823	1081833	60041	5.80	1.32
Variable interest securities	24	180740	180740	3951	0.76	6.46
UK listed equity shares	25	82211	110259	4287	3.86	24.69
Non-UK listed equity shares	26		26178	5	0.55	17.01
Unlisted equity shares	27					
Other assets	28	981940	536127	1399	(0.59)	6.46
Total	29	4569031	4569031	174730	3.76	5.16
Overall return on with-profits assets						
Post investment costs but pre-tax	31					5.97
Return allocated to non taxable 'asset shares'	32					2.34
Return allocated to taxable 'asset shares'	33					10.63

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix & London Assurance Limited**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**####**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2634285	12.57	3.86	3.86
Other approved fixed interest securities	21	577072	7.83	3.65	3.65
Other fixed interest securities					
AAA/Aaa	31	279238	3.94	4.00	3.87
AA/Aa	32	216610	6.87	4.85	4.33
A/A	33	499543	7.75	5.99	5.07
BBB/Baa	34	263954	7.17	6.54	5.22
BB/Ba	35	85535	5.57	11.46	8.82
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	89891	4.65	5.06	3.86
Total other fixed interest securities	39	1434771	6.44	5.80	4.90
Approved variable interest securities	41	171558	16.53	0.60	0.52
Other variable interest securities	51	9182	15.32	3.68	0.68
Total (11+21+39+41+51)	61	4826867	10.33	4.30	4.02

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	**11**	986136	2490860	9246	3486242	4232881
Form 51 - non-profit	**12**	211063	1209854	30230	1451148	1306326
Form 52	**13**	70935	99242		170176	186476
Form 53 - linked	**14**	32453	755602		788054	697730
Form 53 - non-linked	**15**	1587	37		1624	18921
Form 54 - linked	**16**	24055	28019	1318	53393	47271
Form 54 - non-linked	**17**					
Total	**18**	1326229	4583614	40794	5950637	6489605
Reinsurance - external						
Form 51 - with-profits	**21**	783			783	979
Form 51 - non-profit	**22**	5960	1517	3644	11121	9771
Form 52	**23**					
Form 53 - linked	**24**					
Form 53 - non-linked	**25**					
Form 54 - linked	**26**					
Form 54 - non-linked	**27**					
Total	**28**	6743	1517	3644	11904	10751
Reinsurance - intra-group						
Form 51 - with-profits	**31**	8634			8634	8165
Form 51 - non-profit	**32**	108899	78	16	108993	111430
Form 52	**33**	32988	82744		115731	130491
Form 53 - linked	**34**	30587	755602		786189	695923
Form 53 - non-linked	**35**	326	37		363	18400
Form 54 - linked	**36**					
Form 54 - non-linked	**37**					
Total	**38**	181435	838460	16	1019911	964409
Net of reinsurance						
Form 51 - with-profits	**41**	976718	2490860	9246	3476824	4223737
Form 51 - non-profit	**42**	96204	1208259	26570	1331034	1185124
Form 52	**43**	37947	16498		54445	55985
Form 53 - linked	**44**	1865			1865	1807
Form 53 - non-linked	**45**	1261			1261	521
Form 54 - linked	**46**	24055	28019	1318	53393	47271
Form 54 - non-linked	**47**					
Total	**48**	1138051	3743636	37134	4918822	5514445

Form 51
(Sheet 1)

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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	3894	45203	605				28095
120	Conventional endowment with-profits OB savings	4340	35720	942				27977
125	Conventional endowment with-profits OB target cash	80606	1658755	36095				912881
210	Additional reserves with-profits OB			0				17183
300	Regular premium non-profit WL/EA OB	46630	83639	3045				67019
305	Single premium non-profit WL/EA OB	543	1727	7				1728
325	Level term assurance	41059	6581630	19990				25905
330	Decreasing term assurance	5374	169887	1182				1288
345	Accelerated critical illness (reviewable premiums)		605238	3291				4936
355	Stand-alone critical illness (reviewable premiums)	6079	647911	3201				4802
360	Income protection non-profit (guaranteed premiums)	19957	304582	8379				27157
365	Income protection non-profit (reviewable premiums)	6	17974	0				659
380	Miscellaneous protection rider		215513	713				196
385	Income protection claims in payment		5000					52731
390	Deferred annuity non-profit	352	22					709

Form 51
(Sheet 2)

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)	1050	1722					21647
410	Group life	54	124029	4				108
435	Miscellaneous non-profit	318	83247	406				803
440	Additional reserves non-profit OB			2				1376

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		1919	17				783
120	Conventional endowment with-profits OB savings							
125	Conventional endowment with-profits OB target cash							
210	Additional reserves with profits OB							
300	Regular premium non-profit WL/EA OB		252	2				188
325	Level term assurance							
330	Decreasing term assurance							
360	Income protection non-profit (guaranteed premiums)		9137	251				815
385	Income protection claims in payment		150					951
435	Miscellaneous non-profit		45880	160				4006
440	Additional reserves non-profit OB							

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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
100	Conventional whole life with-profits OB		24	0				10
120	Conventional endowment with-profits OB savings		456	12				369
125	Conventional endowment with-profits OB target cash		14548	277				8255
325	Level term assurance		5523267	16642				20179
330	Decreasing term assurance		160655	1133				1070
345	Accelerated critical illness (reviewable premiums)		565276	3090				4635
355	Stand-alone critical illness (reviewable premiums)		628810	3131				4696
360	Income protection non-profit (guaranteed premiums)		295444	8127				26343
380	Miscellaneous protection rider		215513	713				196
385	Income protection claims in payment		4850					30780
435	Miscellaneous non-profit		3706	43				
440	Additional reserves non-profit OB			1				21000

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
155	Conventional pensions endowment with-profits	89781	2790585	9595				1960550
165	Conventional deferred annuity with-profits	6318	45	386				183292
185	Group conventional pensions endowment with-profits	9936	340611	1549				287062
210	Additional reserves with-profits OB			52				59956
305	Single premium non-profit WL/EA OB	7152	101719	1				150296
325	Level term assurance	1737	109326	373				1043
380	Miscellaneous protection rider	1	7021	65				1724
390	Deferred annuity non-profit	9122	27849					415484
400	Annuity non-profit (CPA)	23608	53481	1				635764
435	Miscellaneous non-profit	1	150645	1				5307
440	Additional reserves non-profit OB			30				235

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		68581	230				562
390	Deferred annuity non-profit							955
440	Additional reserves non-profit OB			12				

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		4					78

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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	24	732	6				461
120	Conventional endowment with-profits OB savings	83	1437	30				969
155	Conventional pensions endowment with-profits	129	5420	61				4194
165	Conventional deferred annuity with-profits	12	29	2				507
185	Group conventional pensions endowment with-profits	39	2686					2339
205	Miscellaneous conventional with-profits	25	58	12				775
300	Regular premium non-profit WL/EA OB	37	151	0				139
325	Level term assurance	137	18935	71				137
330	Decreasing term assurance	79	5641	29				14
390	Deferred annuity non-profit	79	279					3899
400	Annuity non-profit (CPA)	286	2082					26019
410	Group life	1						10
435	Miscellaneous non-profit	1	9	0				9
440	Additional reserves non-profit OB							4

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
Overseas / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		248					3644
435	Miscellaneous non-profit		1	0				0

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
Overseas / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		1251	4				15
330	Decreasing term assurance		253	1				1

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	2752	51266		50575	39708	7529	47237
505	Life UWP whole life regular premium	3093	105170	1819	4702	3050	5735	8785
510	Life UWP endowment regular premium - savings	442	2606	203	2405	2322	95	2418
515	Life UWP endowment regular premium - target cash	1376	40088	1244	12366	11045	1450	12496

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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
500	Life UWP single premium		36475		36114	26446	6411	32857
505	Life UWP whole life regular premium		100469				95	95
510	Life UWP endowment regular premium - savings		201	1			0	0
515	Life UWP endowment regular premium - target cash		27722	122			35	35

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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	8651	86830	1498	75094	48610	27928	76538
535	Group money purchase pensions UWP	553	23142	2934	22284	17506	5377	22883
610	Additional reserves UWP				(179)	(179)		(179)

Form 52

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

Name of insurer **Phoenix & London Assurance Limited**

Total business / subfund **Ordinary Long Term Business**

Financial year ended **31 December 2009**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		86830	1498	75094	48610	27928	76538
535	Group money purchase pensions UWP		23142	2934	6094	4405	1800	6206

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	960	22461		22536	22536	758	23294
710	Life property linked whole life regular premium	3503	367845	3398	9917	9917	829	10746
715	Life property linked endowment regular premium - savings							

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		21504		21291	21291	3	21294
710	Life property linked whole life regular premium		323608	3016	9297	9297	323	9619

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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	72782	734953	8367	730310	717554	33	717587
735	Group money purchase pensions property-linked	2341	38711	589	38711	38047	4	38051

Form 53

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		734953	8367	730310	717554	33	717587
735	Group money purchase pensions property-linked		38711	589	38711	38047	4	38051

Form 54

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	34	609			24055		24055

Form 54

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	197	2236			27765		27765
910	Miscellaneous index linked	28	214			254		254

Form 54

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	3	108			1318		1318

Form 57

Long-term insurance business: Analysis of valuation interest rate

Name of insurer	**Phoenix & London Assurance Limited**
Total business	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
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
UK L&GA WP Form 51 endowment assurances	933201	2.28	3.11	3.34
UK Pens NP Form 51 annuities in payment (including associated reversionary benefits)	669565		4.90	5.16
UK Pens NP Form 51 assurances	477947		3.37	3.58
UK Pens WP Form 51 pure endowments and deferred annuities:				
with ongoing premiums	611227		3.63	3.85
other	1845951		4.82	5.07
Misc	328536	n/a	n/a	
Total	4866428			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**Ordinary Long Term Business**
Financial year ended	**31 December 2009**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	5132225	5678568
Bonus payments in anticipation of a surplus	12	6168	25693
Transfer to non-technical account	13	930	3062
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5139322	5707323
Mathematical reserves	21	4918822	5514445
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	220500	192879
Composition of surplus			
Balance brought forward	31	160500	500
Transfer from non-technical account	32		75000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	60000	117379
Total	39	220500	192879
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	6168	25693
Cash bonuses	42		
Reversionary bonuses	43	2864	3624
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	9031	29317
Net transfer out of fund / part of fund	47	930	3062
Total distributed surplus (46+47)	48	9961	32379
Surplus carried forward	49	210539	160500
Total (48+49)	59	220500	192879
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.67	90.54
Current year - 1	62	90.54	90.58
Current year - 2	63	90.58	90.33
Current year - 3	64	90.33	90.72

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix & London Assurance Limited**

Original insurer **Phoenix & London Assurance Limited**

Date of maturity value / open market option **01 March 2010**

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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9281			CWP	N	sum assured plus bonuses
Endowment assurance	20	15285			CWP	N	sum assured plus bonuses
Endowment assurance	25	25663	965		CWP	N	sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	22722			UWP	N	return of fund
Regular premium pension	15	42563			CWP	N	return of fund
Regular premium pension	20	77382			CWP	N	return of fund
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	11441			UWP	N	return of fund
Single premium pension	15	26251			CWP	N	return of fund
Single premium pension	20	46132			CWP	N	return of fund

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

Name of insurer	**Phoenix & London Assurance Limited**
Original insurer	**Phoenix & London Assurance Limited**
Date of surrender value	**01 March 2010**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	7887		n/a	CWP	N	sum assured plus bonuses
Endowment assurance	20	15087		n/a	CWP	N	sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	10869		572	UWP	Y	return of fund

Form 60

Long-term insurance capital requirement

Name of insurer	**Phoenix & London Assurance Limited**
Global business	
Financial year ended	**31 December 2009**
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%					
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	8127438	2174324		12191	13559
Classes III, VII and VIII	15	0.3%	374170	41947	0.50	561	579
Total	16		8501608	2216271		12752	14137
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1640	1634
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	5073341	4896493	0.97	48965	55148
Classes III, VII and VIII (investment risk)	33	1%	4074	1127	0.85	35	33
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	2000	2000	1.00	20	13
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%	90481	22066	0.85	769	772
Class V	37	1%					
Class VI	38	1%					
Total	39					49789	55967
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	5073341	4896493	0.97	146895	165443
Classes III, VII and VIII (investment risk)	43	3%	4074	1127	0.85	104	100
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	2000	2000			
Classes III, VII and VIII (other)	45	0%	783604				
Class IV (other)	46	3%	90481	22066	0.85	2307	2317
Class V	47	0%					
Class VI	48	3%					
Total	49		5953501	4921686		149306	167860
Long term insurance capital requirement	51					213487	239598

NOTES TO APPENDIX 9.1

0201 Section 148 waiver

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in April 2009. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury.

0301 Reconciliation of net admissible assets to total capital resources after deductions

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

	2009 £'000	2008 £'000
Total other than long term insurance business assets – Form 13 line 89	406,422	416,123
Total long term insurance business assets - Form 13 line 89	5,956,583	6,546,585
Less Liabilities - Form 14 lines 11, 12 and 49	(5,472,931)	(6,293,972)
Less Liabilities Form 15 line 69	(275,453)	(275,927
Net admissible assets	614,622	392,809
Subordinated loan	270,000	270,000
Capital resources after deductions - Form 3 line 79	884,622	662,809

0310 Valuation differences between the FSA Return and UK GAAP Report and Accounts

Form 3 line 14 positive valuation differences is analysed as follows:

	2009 £'000	2008 £'000
Valuation differences between Peak 1 and Peak 2 liabilities	240,537	34,194
UKGAAP loan interest accrued not recognised under FSA rules	-	16,618
Form 3 line 14 positive valuation differences	240,537	50,812

NOTES TO APPENDIX 9.1 (continued)

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

	2009 £'000
Balance at 31 December 2009 - Form 3 line 12 column 3	303,303
Balance at 31 December 2008 – Form 3 line 12 column 4	263,857
Movement	39,446
Explained by:	
Loss retained for the financial year - Form 16 line 59	14,042
Contingent loan write off in UK GAAP accounts	25,404
	39,446

1305 and *1319* Counterparty exposures

The investment guidelines operated by the Company for:

(a) the maximum exposure to any one counterparty during the financial year; and
(b) the maximum exposure to any one counterparty, other than an approved counterparty during the financial year;

are consistent with the limits as set out in INSPRU 2.1.22R for market risks and counterparty exposures unless the Company decides in an individual case that a higher limit is appropriate. For certain asset classes the investment guidelines restrict counterparty exposure limits further, with the additional restriction potentially dependent on the credit rating of the counterparty.

At no time during the financial year were either of the above amounts exceeded.

.*1308* Unlisted and listed investments
The amount of unlisted investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the rules in GENPRU 1.3 is nil (2008: £8.7m).

1309 Hybrid Securities

The aggregate value of Hybrid Securities held by the insurer is £168,049,000.

NOTES TO APPENDIX 9.1 (continued)

1318 Other asset adjustments as reported in Form 13 line 101 are as follows:

Total other than long term insurance business assets	2009	2008
	£'000	£'000
Internal capital support – principal and interest	297,282	290,632
Contingent loan write off	(43,948)	(69,353)
Form 13 line 101	253,334	221,279

Total long term insurance business assets		
	£'000	£'000
Internal capital support – principal and interest	(297,282)	(290,632)
Reclassification of debtors and creditors	(215)	(215)
Contingent loan write off	43,948	69,353
Form 13 line 101	(253,549)	(221,494)

1401 and *1501* Provision for reasonably foreseeable adverse variations

No provision for reasonably foreseeable adverse variations has been made as liabilities are matched to assets.

As at 31 December 2009, 94% of the investment assets were classified as investments that are traded using quoted market prices in active markets (level 1). An active market is characterised by regular market transactions in identical assets on an arm's length basis. This includes listed equities, listed debt securities and quoted unit trusts in active markets.

The balance of the investment assets are valued using models with significant observable market parameters (level 2), or valued using models with significant unobservable market parameters (level 3).

For level 2 investment assets these are measured on a fair value basis from inputs other than quoted prices that are observable either directly or indirectly for the asset.

Level 3 investment assets have little, if any, market activity so that there are no observable inputs available. In such cases, unobservable inputs reflect the insurer's own assumptions about the inputs that market participants would use in pricing the asset.

The valuation of level 3 investments is carried out on a prudent basis and as such any valuation adjustments or reserves necessary under GENPRU 1.3.30R to 1.3.33R has already been reflected within the carrying value of the asset.

NOTES TO APPENDIX 9.1 (continued)

1402 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 long term insurance business.

(c) In common with the Life Insurance industry, the Company has experienced a large number of complaints in respect of mortgage endowment business. A provision has been established, but the ultimate redress cost may be greater or smaller than is currently provided and will be dependent on the level of complaints and the period over which the policies were written.

(d) 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.

(e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1405 Other adjustment to liabilities

Other adjustments to liabilities as reported in Form 14, line 74 is as follows:

	2009	2008
	£'000	£'000
Valuation differences between Peak 1 and Peak 2 liabilities	240,537	34,194
Reclassification of debtors and creditors	(215)	(215)
Form 14 line 74	240,322	33,979

1502 Liabilities (other than long term insurance business)

(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 long term insurance business.

(c) There are no contingent liabilities.

(d) 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.

(e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

NOTES TO APPENDIX 9.1 (continued)

1507 Adjustments to liabilities

There were no adjustments to liabilities reported on Form 15 line 83.

1508 Subordinated loan

The Company entered into the following arrangement with Pearl Life Holdings Limited (PLH), in order to support its ongoing solvency position:

Subordinated loan agreement

Under this agreement, the Company has a loan facility from PLH, whereby support is provided where it is anticipated that the company has insufficient capital to meet the "Capital Test". The Capital Test requires there to be capital of £50m in excess of the larger of the Individual Capital Assessment (ICA), as required under GENPRU 1.2 as enhanced to satisfy any Individual Capital Guidance (ICG) provided by the FSA, and the Capital Resources Requirement, as shown on Form 2, line 41, of the returns to the FSA, if Form 2 was to be prepared on the date concerned (ignoring for this purpose any adjustment required by GN45). The loans are repayable at the company's discretion, giving at least 6 months notice to both the lender and the FSA, to the extent that the Capital Test is met. The amount available to the Company under the subordinated loan agreement is limited to £280.0m (2008: £280.0m). Interest is due under this loan agreement at LIBOR plus 2%, but is only payable at the Company's discretion, giving 30 days notice to the lender and is shown under creditors. On 31 December 2009 the Company had drawn-down £270.0m (2008: £270.0m).

Internal capital support memorandum

Under this memorandum, the Company has agreed with PLH and with the FSA to establish memoranda accounts within the shareholder's (SH) and long-term (LTF) funds to provide support to the LTF. The amount credited to the SH memorandum account at the 31 December 2009 was £270.0m (2008: £270.0m). Assets are transferred from the SH memorandum account to the LTF memoranda accounts when the Company becomes aware that the value of assets comprised in the LTF have fallen (or are likely to fall) below the "Threshold Amount". The Threshold Amount is £25.0m in excess of the requirements under both the statutory and realistic solvency regulations. The amount transferred from the SH memorandum account to the LTF memoranda at 31 December 2009 was £297.3m (2008: £290.6m) including accrued interest. Assets are repayable to the SH memorandum account from the LTF memoranda accounts out of profits arising in the Long Term Fund to the extent that the assets comprised in the LTF are greater than the Threshold Amount, subject to receipt by the Company of permission in writing of the FSA. Of the amount transferred from the SH memorandum account into the LTF memoranda accounts, £139.1m (2008: £165.5m) was required to achieve a realistic basis surplus of £nil.

NOTES TO APPENDIX 9.1 (continued)

1601 Basis of conversion of foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the year end. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account – long term insurance business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the non-technical account.

1603 Other income and charges

The income of £9,645,000 on Form 16 Line 21 represents project expenses initially charged to the shareholder fund in previous years and which have subsequently been re-allocated to the long term business fund. The 2008 charge of £5,359,000 is the amount charged to the shareholder fund.

1700 Form 17 Total other than long term insurance business assets

Form 17 for Total other than long term insurance business assets has been omitted because all entries are blank.

1801 Regulatory current liabilities of the fund

Form 18 line 22 is analysed as follows:

	2009	2008
	£'000	£'000
Form 14 line 49	551,245	775,904
Internal capital support	297,281	290,631
	848,526	1,066,535

NOTES TO APPENDIX 9.3

4004 Business transfers

During the year, £113.7m of vesting annuities have remained within the Fund. These amounts have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively but as "business transfers in" and "business transfers out". As these amounts are not single premiums on Form 41 they have not be included in the new business Form 46 and Form 47.

4008 Provision of management services

Management services have been provided during the year by Pearl Group Management Services Limited and Ignis Asset Management Limited. Both companies are part of the Phoenix group of companies.

4009 Material connected party transactions

A number of reinsurance contracts are in place between the Company and other group companies. All these contracts are entered into on "arms length" basis, details of which are listed in Appendix 9.4 Paragraph 9 of the Return.

During the year the company reassured premiums of £45,779,000 with Phoenix Life Limited.

4010 Unit linked investment income

Included within Form 40 Line 12 is £66,000 of Unit Linked Investment income (2008: £17,000).

4011 Expenses payable

Policy administration is outsourced to Pearl Group Services Limited (PGMS), which in turn has an agreement to sub-contract administration to Unisys Insurance Services Limited. Under the agreement with PGMS, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

4401 Basis of valuation of assets

Investments and assets held to cover linked liabilities are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties are valued annually at open market value.

The assets held to cover linked liabilities, as at 31 December 2009 are as below:

	2009
	£'000
Property linked annuity	541
Capital International Bond	704
Equity Fund	689
Total	1,934

NOTES TO APPENDIX 9.3 (continued)

4801 "Asset Share" Philosophy

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the definition of with-profits fund.

4802 Expected Income from Defaulted Assets

Expected income includes income in respect of securities which may be in default.

4803 Treatment of Securities with Variable Redemption Dates

For variable redemption date securities the latest possible redemption rate is used. The market values are as follows:

Earliest maturity date	£0.0m
Latest maturity date	£224.4m
Total Optional maturity date	£224.4m

4804 Assets With a Range of Yields

Other assets include:

- short term deposits where the expected return is a short-term interest rate;
- cash and other current assets where there is no expected return; and
- swaptions where the expected return is calculated as described in Appendix 9.4 5.1(a).

4806 Assets Backing the With Profits Benefits Reserve

The asset mix underlying an individual policy asset share varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate. The assets backing the with profits benefit reserve as at 31 December 2009 were:

Asset Type	2009
	£'m
Land and buildings	274
Approved fixed interest securities	2,189
Other fixed interest securities	720
UK listed equity shares	162
Non UK listed equity shares	77
Other assets	0

4807 Return on Fixed Interest Securities

A single investment return has been calculated for approved and other fixed interest securities and is reported in column 5 for both these categories.

4808 Return on Variable Interest Securities

A single investment return has been calculated for variable interest securities and other assets and is reported in column 5 for both these categories.

NOTES TO APPENDIX 9.3 (continued)

4809 Treatment of Swaps and Futures

The Company holds a number of swaps in connection with its fixed interest assets. The value of the swaps as shown in Form 17 column 1 is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to fixed interest securities as described in Appendix 9.4 paragraph 4.9 in proportion to the market value of the underlying fixed interest securities. The yield shown in column 4 reflects the overall impact of this aggregation but including those swaps included in Form 17 column 2 as well.

For fixed interest securities expected income relates to the fixed interest assets shown in column 1. The Company also holds a small number of equity futures where the net value is included in Line 28, column 1 and then for the purposes of column 2 reallocated to equities.

4810 Net Return on "Asset Shares"

The entry in Line 33 column 5 is after tax.

4901 Rating Agency Used for Split by Credit Rating

Ratings shown are the weaker of ratings provided by Moody's Investors Service and Standard & Poor's Corporation.

4902 Fixed and Variable Interest Assets – Economic Effect of Swaps

The value of assets in column 1 corresponds to the value of assets in column 2 of Form 48 but ignoring the swap apportionment referred to in note 4809. The yields in columns 3 and 4 exclude the economic effect of the swap apportionment.

5201 Number of group schemes without records at member level

Product Code	Number of Group Schemes
535	13

5500 Unit Prices for Internal Linked Funds

Form 55 has been omitted because of the operation of the de minimis rules.

5600 Index Linked Business

Form 56 has been omitted because of the operation of the de minimis rules.

(a) Investment Guidelines

Derivative contracts will be held in the long-term funds as a result of:

(i) discretionary powers exercised by the Investment Manager within the constraints laid down by the Investment Management Agreement or otherwise stipulated by the Company. The Investment Management Agreement requires that derivative contracts may only be used for the purposes of efficient portfolio management and specific examples include the implementation of tactical asset allocation decisions and changes to the strategic benchmark and cashflow management purposes. The Investment Manager is required to comply with all relevant rules regarding the use of derivative contracts in insurance.

(ii) investment decisions made by the Company to reduce the degree of market risk within the long-term funds. Specific examples include the use of interest rate swaps to improve cashflow matching, interest rate swaptions to hedge interest rate risks on policies with guaranteed annuity options or guaranteed cash options, equity index futures and options to hedge the market risk on policies with policy options and guarantees and spreadlocks to hedge swap spread risks inherent in other hedging instruments. The Company operates an appropriate control environment in which such investment decisions are taken and implemented.

(b) The Investment Management Agreement referred to in (i) above does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

Investment decisions referred to in (ii) above do involve the use of such derivatives to hedge the funds against interest rate and other market movements. For instance the Company holds payer swaptions where the fixed rate is as high as 8.4% p.a. However, changes in the value of these options arising from changes in market interest rate expectations provides a hedge against movements in the cost of guarantees attaching to certain policies.

(c) The Company holds payer swaptions with an aggregate nominal of £1.2bn where the fixed rate exceeds 8% p.a.

(h) The Company did not hold any derivatives or quasi-derivatives during the financial year which required a significant provision under INSPRU 3.2.17R or which fell outside the definition of a permitted derivatives contract.

(i) The total value of any fixed consideration received by the Company during the financial year in return for granting rights under derivative contracts was nil.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2009

(1) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

(a) Pearl Life Holdings Limited;
(b) Impala Holdings Limited;
(c) Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited);
(d) Phoenix Life Holdings Limited;
(e) PGH (LCA) Limited (formerly Sun Capital Investments Limited);
(f) PGH (LCB) Limited (formerly Hera Investments One Limited);
(g) PGH (LC1) Limited (formerly Sun Capital Investments No.2 Limited);
(h) PGH (LC2) Limited (formerly Hera Investments No. 2 Limited);
(i) Pearl Group (became a controller on 28 August 2009 and subsequently changed it's name to Phoenix Group Holdings on 15 March 2010);
(j) Xercise Limited (became a controller on 28 August 2009);
(k) TDR Capital Nominees Limited (became a controller on 28 August 2009); and
(l) TDR Capital LLP (became a controller on 28 August 2009).

(2) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:

(a) Pearl Life Holdings Limited

As at 31 December 2009, Pearl Life Holdings Limited owned 100% of the shares of Phoenix & London Assurance Limited and was able to exercise 100% of the voting power at any general meeting.

(b) Impala Holdings Limited

As at 31 December 2009, Impala Holdings Limited owned 100% of the shares of Pearl Life Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

(c) Pearl Group Holdings (No. 2) Limited

As at 31 December 2009, Pearl Group Holdings (No. 2) Limited owned 75% of the shares of Impala Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 75% of the voting power at any general meeting.

(d) Phoenix Life Holdings Limited

As at 31 December 2009, Phoenix Life Holdings Limited owned 100% of the shares of Pearl Group Holdings (No. 2) Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

(e) PGH (LCA) Limited

As at 31 December 2009, PGH (LCA) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

(Controllers at the end of the financial year - continued)

(f) PGH (LCB) Limited

As at 31 December 2009, PGH (LCB) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

(g) PGH (LC1) Limited

At 31 December 2009, PGH (LC1) Limited owned 12.5% of the share capital of Impala Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

(h) PGH (LC2) Limited

At 31 December 2009, PGH (LC2) Limited owned 12.5% of the share capital of Impala Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

(i) Phoenix Group Holdings (formerly Pearl Group)

As at 31 December 2009, Phoenix Group Holdings owned 100% of the share capital of PGH (LCA) Limited and 100% of the share capital of PGH (LCB) Limited, which between them owned 100% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power of PGH (LCA) Limited and 100% of the voting power of PGH (LCB) Limited at any general meeting.

(j) Xercise Limited

As at 31 December 2009, Xercise Limited owned 10.66% of the share capital of Pearl Group, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 10.66% of the voting power at any general meeting.

(k) TDR Capital Nominees Limited

As at 31 December 2009, TDR Capital Nominees Limited owned 13.24% of the share capital of Pearl Group, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 13.24% of the voting power at any general meeting.

(l) TDR Capital LLP

As at 31 December 2009, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as a nominee for the TDR funds and owned 13.24% of the share capital of Pearl Group, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 13.24% of the voting power at any general meeting.

APPENDIX 9.4

PHOENIX & LONDON ASSURANCE LIMITED

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2009.

(2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2008.

(3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2008.

2. PRODUCT RANGE

A scheme of arrangement under Part 26 of the Companies Act 2006 has been implemented with effect from 31 December 2009 to remove guaranteed annuity rates from certain UK individual with-profits pensions (pure endowment) policies in exchange for potential increases to non-guaranteed benefits. The policies affected are described as Libra policies.

There have been no other significant changes since the last valuation date.

Phoenix & London Assurance Limited has one with-profits fund which is closed to new business except by increment.

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

The Company reserves the right to apply a Market Value Reduction (MVR) to policies that invest in the Unitised With Profits (UWP) Fund.

<u>Mortgage Savings Plan, Regular Savings Plan and Universal Protection Plan</u>

MVRs on these contracts have applied throughout the period since the last valuation to all premium paying policies or increments.

Unitised With Profits Bond

MVRs have been applied throughout the period since the last valuation to policies or increments commencing between June 1996 and October 1997, March 1998 and September 1998, January 2000 and July 2001. MVRs have also been applied for parts of the period (except on guarantee dates) to policies or increments commencing between November 1997 and February 1998, October 1998 and December 1999, August 2001 and September 2002, December 2002 and January 2003, and commencing after May 2003.

UWP Group Pensions

MVRs on these contracts have been applied throughout the period since the last valuation to increments to policies commencing after July 2005. MVRs have also been applied for parts of the period to policies or increments commencing between 1 January 2000 and 30 June 2000.

Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan

MVRs on these policies have been applied throughout the period since the last valuation to single premium policies or increments with entry years 1998 to 2001 and for all commencement dates after 2005. MVRs have also applied to single premium policies or increments with entry years 1995, 2002 and 2004 for parts of the year. For regular premium paying policies, MVRs have been applied during the period to all policies or increments.

(2) Premiums on Reviewable Protection Policies

There were no changes to premium rates on reviewable non-linked protection policies since the previous valuation date.

For Progressive Protection Plan a change to premium rates is permitted but did not occur during the report period. The gross reserves for Progressive Protection Plan at the valuation date amounted to £25.1m.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

The policy charges for the following linked contracts have changed during the valuation year:

Product	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Universal Protection Plan	3.30	3.50	6.06%
Mortgage Savings Plan and Regular Savings Plan	3.93	4.20	6.87%

For Individual Personal Pension Plan, Group Personal Pension Plan, Company Pension Scheme & Company Additional Pension Scheme the monthly policy charges changed as follows:

Contribution Type	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium and increments	0.00	0.00	n/a
Paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan)	1.88	2.00	6.38%
Paid-up policies and policies on premium holidays for Group Personal Pension Plan	0.00	0.00	n/a
Single premium stand alone contracts issued before 16 October 1995	5.34	5.70	6.74%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	2.15	2.30	6.98%
Single premium stand alone contracts issued between 21 September 1998 and 9 April 2000	3.88	4.15	6.96%
Single premium stand alone contracts issued after 9 April 2000	3.40	3.60	5.88%

For Personal Additional Pension Plan the monthly policy charges changed as follows:

Contribution Type	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium policies issued before 29 January 1996	5.34	5.70	6.74%
Regular premium policies issued between 29 January 1996 and 9 April 2000	5.08	5.40	6.30%
Regular premium policies issued after 9 April 2000	3.40	3.60	5.88%
Paid-up policies and policies on premium holidays	1.88	2.00	6.38%
Single premium stand alone contracts issued before 16 October 1995	5.34	5.70	6.74%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	2.15	2.30	6.98%
Single premium stand alone contracts issued between 21st September 1998 and 9 April 2000	3.88	4.15	6.96%
Single premium stand alone contracts issued after 9 April 2000	3.40	3.60	5.88%

For Executive Pension Plan the monthly policy charges changed as follows

Contribution Type	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium policies issued before 29 January 1996	5.34	5.70	6.74%
Regular premium policies issued after 29 January 1996	5.08	5.40	6.30%
Paid-up policies and policies on premium holidays	1.88	2.00	6.38%
Single premium stand alone contracts issued before 16 October 1995	5.34	5.70	6.74%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	2.15	2.30	6.98%
Single premium stand alone contracts issued after 20 September 1998	3.88	4.15	6.96%

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in the valuation year.

(6) Accumulating With-Profits Charges

When determining terminal bonus or MVR's expenses are notionally charged to the specimen policy asset shares in respect of Unitised with-profit bonds.

The annual maintenance expenses have been decreased from £33.96 pa to £33.46 pa.

Charges for guarantees and smoothing between January 2009 and December 2009 were increased to 1.5% pa of asset share (1.0% pa for business written on or after 1 July 1998) from 1 January 2009.

Investment expenses at the rate of 0.125% pa.

(7) Unit Pricing of Internal Linked Funds

Immediate Annuity Fund

Policyholder benefits consist of an annual annuity equal to the unit price multiplied by the number of units allocated to their policy. The unit price is calculated quarterly as the value of the fund, divided by the actuarial value of the units in issue.

The fund is closed to new business so no units are being created. Annuity payments and other expense are debited to the fund. Units are cancelled (and thus disregarded from the unit price calculation) when benefits stop being payable due to the death of the annuitant.

The assets of the fund mainly comprise shares in the UK Commercial Property Trust and money market funds. These assets are valued on a bid basis when determining the fund value.

Other Internal Linked Funds

Benefits attaching to other internal linked funds other than the Immediate Annuity Fund are wholly reassured ultimately to Phoenix Life Limited and the unit pricing of the funds is described in the Returns of that company.

(8) Tax Deductions From Internal Linked Funds

There is no deduction for tax within the Immediate Annuity Fund.

(9) Tax Provisions for Internal Linked Funds

There is no provision for tax within the Immediate Annuity Fund.

(10) Discounts on Unit Purchases

No commission is payable by the managers of F&C UK Equity OEIC on the purchase of units by the company. This OEIC backs the Family Fund and Equity Plan products of which only Equity Plan continues to purchase units.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used are as follows:

Gross Premium Method

Reserves for policies other than those products included in the section "Other Products" or "Accumulating With-Profits Policies" have been established using a prospective gross premium method applied to each policy.

For with-profits policies an allowance has been made for policies being surrendered or being made paid-up in the future.

Accumulating With-Profits Policies

Reserves for accumulating with profits policies on Form 52 have been calculated for each policy as the greater of:

(i) the discounted value of:

(a) the guaranteed benefits at the maturity date or guarantee point allowing for future reversionary bonus rates in accordance with the table in paragraph 4 (7) (which is consistent with treating customers fairly); and

(b) assumed future expenses per paragraph 4 (6).

(ii) the lower of:

(aa) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date, having regard to the representations of the company; and

(bb) the amount in (aa) disregarding all discretionary adjustments.

Other Products

Where benefits under property linked policies are reassured to Phoenix Life Limited, the method of calculation is fully disclosed in the Returns of that company.

Progressive Protection Plan contracts have been valued as one year's premium for life cover and one and a half-year's premium for critical illness cover.

Calculation Notes

Where annuity benefits are payable to any spouse that may exist at the date of death of the annuitant, we assume that 90% are married with the female 3 years younger than the male life.

Individual Permanent Health Insurance contracts with an extra premium have an additional reserve of 2 years' extra premiums.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

	Current Valuation	Previous Valuation
Life Business		
With-Profits Endowment Assurances	2.20%	2.95%
Other With-Profits Assurances	1.73%	2.60%
UWP Bond	0.71%	2.60%
Non-Profit Endowment Assurances	2.69%	2.60%
Other Non-Profits Assurances	1.73%	2.60%
Annuities in payment (new GAF)	4.40%	4.85%
Annuities in payment (old GAF)	4.90%	5.40%
Monies on Deposit	3.60%	4.00%
RPI Linked Annuities in payment (net)	0.27%	0.60%
PHI		
Claims In Payment	3.75%	4.95%
Other	3.75%	3.30%

	Current Valuation	Previous Valuation
Pensions Business		
With Profits Pure Endowment & With Profits Deferred Annuities – Regular		
	3.63%	3.65%
With Profits Pure Endowment & With Profits Deferred Annuities – Single premiums and paid-ups:		
Initial rate	4.79%	4.45%
Reinvestment rate	4.62%	3.80%
Annuities in Payment	4.90%	5.40%
RPI Linked Annuities in payment	0.39%	0.75%
RPI Linked Deferred Annuities	0.27%	0.75%
Group UWP	3.75%	3.75%
Non-Profit Assurances	3.36%	3.35%
Non-Profit Deferred Annuities		
Pre Vesting	3.36%	3.35%
Post Vesting	3.36%	3.35%
Monies on Deposit	4.50%	7.00%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) Approved Securities:

No reduction

(b) Other Securities

A deduction was applied to the yield on an individual stock by stock basis to allow for the risk of default. The individual stock risk margins were calculated as a long-term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average.

The long term average default rates (in basis points) are:

Rating	5yr	10yr	20yr
AaaSSR	0	0	0
Aaa	4.4	12.8	15.9
Aa	19.6	33.6	48.8
A	32.2	46.6	62.5
BBB	83.6	104.3	120.9
BB	257	273.9	283
B	573.8	509.4	426.7

A number of different techniques were then employed to arrive at the final adjustment to the yield, namely:

- Financial sector subordinated debt attracted deductions based on the senior rating of the issuer rather than the rating of the bond itself. However, a higher risk was recognised by imposing a nil recovery rate on the above default rates.

For banks that were in receipt of state aid, there was an additional deduction depending on whether the coupons could be missed or deferred without interest.

- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).

An additional prudence has then been applied by increasing the risk margin deduction by 25%.

Variable Interest

The yield on variables interest rate stocks was capped at the real yield on the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applied to both approved and non-approved variable interest stocks.

Equities

The yield on equity shares was capped at the lower of 25% p.a. or twice the annualised 15 year gilt yield.

Additional adjustments were also made to the dividend yield of Lloyds TSB and Royal Bank of Scotland shares where the dividend yield was set to zero to reflect the current expectations of those shares.

The yield on equity shares was reduced by 2.5% of the yield after the above adjustments.

Property

The yield on property was capped at the greater of 10% p.a. or twice the annualised 15 year gilt yield.

The yield on property was reduced by 2.5% of the yield after the above adjustment.

All other assets producing income

The yield was reduced by 0.5% of the unadjusted yield.

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Endowment and Whole of Life Assurances	81% AM92 110% AF92	81% AM92 110% AF92
Term Assurance - aggregate	95% TM92 116% TF92	95% TM92 116% TF92
Term Assurance - non-smoker	79% TM92 95% TF92	79% TM92 95% TF92
Term Assurance - smoker	200% TM92 237% TF92	200% TM92 237% TF92
Pensions pre-vesting and pension term assurances	52.6% AM92 59.3% AF92	52.6% AM92 59.3% AF92
Life Annuities in Payment	Modified IM80 c2010 Modified IF80 c2010	Modified IM80 c2010 Modified IF80 c2010
Pensions post vesting	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Pensions immediate annuities	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020

Life annuities currently in payment

The mortality basis for the current (previous) year is:

Males: 78.9% (80.0%) of IM80 (c=2010) improving at 1.5% (1.5%) p.a.
Females: 80.0% (81.0%) of IF80 (c=2010) improving at 1.25% (1.25%) p.a.

The expectation of life under the current and previous year valuation assumptions for sample ages are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	21.67	24.52	21.53	24.40
75	13.60	15.53	13.49	15.43

Pension annuities currently in payment

Specimen percentages of the base tables used for the current and previous years valuations are:

		Current valuation		Previous valuation	
		Male	Female	Male	Female
at age	65	127.7%	123.5%	126.1%	120.8%
at age	75	76.1%	90.2%	75.5%	89.0%
at age	85	76.1%	94.3%	74.4%	91.6%
at age	95	79.7%	97.4%	76.8%	93.6%

Specimen annual improvement rates for the current valuation, dependent on calendar year, are:

Males	2010	2020	2030	2040	2050	2060
65	3.52%	2.69%	2.56%	2.98%	2.98%	2.98%
75	3.62%	3.09%	2.32%	2.37%	2.44%	2.44%
85	2.62%	2.33%	2.16%	1.88%	1.90%	1.90%
95	1.43%	1.39%	1.42%	1.39%	1.35%	1.35%

Females	2010	2020	2030	2040	2050	2060
65	2.51%	2.76%	2.92%	2.98%	2.98%	2.98%
75	3.05%	2.79%	2.44%	2.43%	2.44%	2.44%
85	1.93%	2.25%	2.06%	1.90%	1.90%	1.90%
95	1.24%	1.30%	1.41%	1.38%	1.35%	1.35%

The expectation of life under the current and previous year valuation assumptions for sample ages are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	24.81	26.37	25.46	26.53
75	15.39	16.63	15.49	16.56

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

Sample percentages of the base tables used for the current year and previous year valuations are:

		Current valuation		Previous valuation	
		Male	Female	Male	Female
up to age	55	488.9%	455.0%	520.5%	462.1%
at age	65	127.7%	123.5%	138.3%	126.5%
at age	75	76.1%	90.2%	82.8%	93.2%
at age	85	76.1%	94.3%	81.6%	96.0%
at age	95	79.7%	97.4%	84.3%	98.1%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2010	2020	2030	2040	2050	2060
55	2.23%	2.39%	3.23%	3.25%	3.25%	3.25%
65	3.52%	2.69%	2.56%	2.98%	2.98%	2.98%
75	3.62%	3.09%	2.32%	2.37%	2.44%	2.44%
85	2.62%	2.33%	2.16%	1.88%	1.90%	1.90%
95	1.43%	1.39%	1.42%	1.39%	1.35%	1.35%

Females	2010	2020	2030	2040	2050	2060
55	1.83%	3.11%	3.24%	3.25%	3.25%	3.25%
65	2.51%	2.76%	2.92%	2.98%	2.98%	2.98%
75	3.05%	2.79%	2.44%	2.43%	2.44%	2.44%
85	1.93%	2.25%	2.06%	1.90%	1.90%	1.90%
95	1.24%	1.30%	1.41%	1.38%	1.35%	1.35%

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are:

	Current Age	Expectation of life from Age	Current Year		Previous Year	
			Males	Females	Males	Females
Deferred	45	65	28.16	29.72	28.88	29.82
annuities	55	65	26.48	28.08	26.88	28.05

The mortality assumptions are as described. No explicit allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on mortality or morbidity.

(5) Morbidity Basis

For Individual Permanent Health Insurance the assumed inception & recovery rates are based on modified CMIR12. The percentages of CMIR12 for sample inception & recovery rates, based on a 12 month deferred period, are as follows:

Percentages of Inception rates for the modified CMIR12 table at current year

Age	Table	Current Year		Previous Year	
		Male	Female	Male	Female
25	CMIR12	110.00%	188.00%	138.00%	234.60%
35	CMIR13	110.00%	188.00%	138.00%	234.60%
45	CMIR12	46.00%	78.00%	58.00%	98.60%
55	CMIR12	60.00%	102.00%	75.00%	127.50%

Recovery rates expressed as a percentage of CMIR12 for all durations

Age	Table	Current Year		Previous Year	
		Male	Female	Male	Female
25	CMIR12	29.00%	29.00%	52.00%	52.00%
35	CMIR12	29.00%	29.00%	52.00%	52.00%
45	CMIR12	29.00%	29.00%	52.00%	52.00%
55	CMIR12	29.00%	29.00%	52.00%	52.00%

Mortality for Individual Permanent Health Insurance has remained unchanged from the previous valuation at 76% TM92 for males and 76% TF92 for females.

(6) Expenses

For policies valued using a gross premium valuation, allowance has been made for renewal commission as paid and an annual renewal expense in accordance with the expense table below inflating at 7.38% p.a.

For with-profits bonds renewal expenses we have compared the value of future policy fees with the value of future renewal expenses in accordance with the expense table below inflating at 7.38% p.a. We have determined that no additional reserve is required.

For other accumulating with-profits policies the reserve, calculated formulaically, includes an allowance for expenses in accordance with the expense table below inflating at 7.38% p.a. Renewal commission is assumed to be payable from the margins within future premium allocations.

The inflation rate assumed in last year's valuation was 6.34% pa.

Expense Table

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Annuity (400)	18.29	15.93
All other classes[1]	38.79	33.77

[1] basic policies only except for executive pensions where increments also deemed to incur expenses

Expenses on life policies are assumed to benefit from tax relief at 20%.

(7) Unit Growth Rates

The unit linked business is reassured to Phoenix Life Limited and the valuation basis is disclosed in that company's returns.

(8) Future Bonus Rates

For conventional with-profits business there is no allowance for future bonuses.

For accumulating with-profits business the assumed reversionary bonus rates are:

Product	2010 p.a	2011 p.a	2012& later p.a
Bonds	0.50%	0.08%	0.00%
Other life	0.50%	0.08%	0.00%
UWP Group pensions	2.00%	0.33%	0.00%
Other pensions	1.00%	0.17%	0.00%

(9) Persistency Assumptions

The Company anticipates voluntary premium discontinuances on the with-profits life and pension contracts specified in the table below; no voluntary discontinuances are assumed for other products.

Initial discontinuance rates are in accordance with the tables below and are assumed to reduce linearly to 5% of the initial rate at maturity/retirement.

For with-profits life products (excluding whole life) and with-profits pension products initial rates of discontinuance are:

Initial Surrender Rates (%)

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	-	2.1%	1.4%	1.4%
CWP target cash endowment	Surrender	-	2.8%	2.8%	2.8%
CWP Executive Pension	Pup	7.0%	7.0%	7.0%	7.0%
CWP Executive Pension	Surrender	3.5%	3.5%	3.5%	3.5%
CWP Personal pension - regular premium	Pup	3.8%	3.6%	2.1%	2.1%
CWP Personal pension regular premium	Surrender	1.5%	1.2%	1.8%	1.8%
CWP Personal pension single premium	Surrender	0.8%	1.1%	1.2%	1.2%

For Libra policies, an allowance has been made for an additional 5% lapse rate in 2010.

Policies becoming paid-up after the valuation date are assumed not to subsequently surrender.

For pension policies surrendering within 15 years of normal retirement date a proportion of surrenders are deemed to be early retirements with associated guaranteed annuity option entitlements. The proportion of surrenders assumed to be early retirements is 100% at normal retirement decreasing linearly to 0% 15 years prior to normal retirement.

(10) Other Material Assumptions

Not applicable.

(11) Allowance for Derivatives

The Company holds a number of swaps in connection with its fixed interest assets. The effect of the swaps has been taken into account by adding the value of the fixed interest assets to the value of the swaps and adjusting the yield on the fixed interest assets to take account of the effect of the swaps. The effect of the swaps has been determined by assuming that the future yields are in accordance with the yields implied by the forward swap curve.

We hold a number of Swaption contracts to hedge against interest rate falls impacting the guaranteed annuity option reserves. Further details are provided in section 5 below.

We hold a number of Spreadlock contacts to assist in managing the risk of variation in the spreads on the Swap contacts that are held. These contacts do not directly impact the long term insurance liabilities.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) An additional reserve is calculated, where the value of the annuity is greater than the cash sum, using the assumptions set out in section 4 and, additionally, assuming

- All policyholders will exercise the option.
- The percentage of the cash sum which will be used to purchase the annuity on guaranteed terms will be :

85% for Pension Reserve contracts
85% for Personal Pension Scheme protected rights contracts
85% for Additional Pension Plan contracts
83% for Executive Benefits Plan and Retirement Security Plan
85% for Personal Pension Plan and Personal Pension Scheme contracts
85% for Transfer Plan

These are initial proportions and are assumed to increase linearly to 95% over 20 years.

Where the guaranteed annuity option may be exercised in different forms (e.g. with or without escalation, with or without spouse reversionary benefit) then suitable assumptions have been made regarding the proportion of policyholders electing for the various benefit format. Under certain contracts the spouse's annuity terms are not guaranteed under the policy.

- The expenses of payment are 3.57% of the value of the annuity.
- For swaption contracts which are held in connection with these guarantees we have calculated an internal rate of return equating the market value of the swaption contracts to the intrinsic value of the underlying swap contracts. For this purpose we assume that swap rates at expiry are as implied by the forward swap yield curve at the valuation date. The internal rate of return so calculated is deemed to be the "yield" on the swaptions for the purposes of determining a valuation rate of interest used in the calculation of reserves for policies with guaranteed annuity options.

The reserves calculated as above have been compared with the market value of the options determined using a market consistent stochastic model (as used to determine the realistic value of options and guarantees for the realistic balance sheet). After adding a margin for prudence, if the aggregate market consistent value is higher than the reserves then the reserves are increased to provide a suitable margin over this cost. However, the reserves calculated as above produced a greater reserve than that calculated using the market consistent approach.

(b)

(i) Product Name	(ii) Basic Reserve £m	(iii) Spread of outstanding durations Years	(iv) Guarantee Reserve £m	(v) Guaranteed Annuity Rate (Male at 65)	(vi) Increments	(vii) Form of annuity[2]	(viii) Retirement Ages
Additional Pension Plan	7.4	0 to 41	2.9	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Executive Benefit Plan	118.4	0 to 39	47.3	10.0% 7.6% 8.1% 5.6%	Yes[1]	Level - single life Esc 4% - single life Level - 60% spouse Esc 4% - 60% spouse	Ages 50 to 75
Retirement Security Plan	85.9	0 to 41	31.0	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Transfer Plan	244.2	0 to 34	70.6	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
PPP81	294.4	0 to 31	111.3	10.0% 8.1%	Yes	Level - single life Level - 60% spouse	Ages 50 to 75
Fowler	397.5	0 to 43	104.9	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Fowler (DSS)	709.1	0 to 35	77.5	10.0% 8.1% 8.3% 6.4%	Yes[1]	Level - single life Esc 3% - single life Level - 50% spouse Esc 3% - 50% spouse	Ages 60 to 75
Pensions Reserve	14.9	0 to 32	4.8	10.0% 8.1%	Yes[1]	Level - single life Level - 60% spouse	Ages 50 to 75

[1] Benefits secured by increments commencing after 1 December 1998, DSS payments received after 30 June 1999 or on payments received on Transfer Plan after 31 July 1999 do not include a guaranteed annuity option.
[2] Annuity is payable monthly in advance and guaranteed for 5 years. The forms of annuity represent the various forms assumed in the reserving calculation. Not all forms are necessarily contractual obligations and may represent a concession by the Company.

(2) Guaranteed Surrender and Unit-linked Maturity Values

UWP Bond

(a) MVRs are not applicable on encashment or partial surrender on the 10^{th} policy anniversary for with-profits bonds commencing between June 1996 and January 1999.

The policy reserve is not less than the value of the benefits at the 10^{th} policy anniversary calculated on the assumptions in Paragraph 4.

(b) Policies established on the administration system after 29 September 1997 are wholly reassured with Phoenix Life Limited and the required disclosure for these policies may be found in the Returns of that company. For policies retained by this Company the required disclosure is:

(i) Product Name	Unitised With-Profits Bond
(ii) Basic Reserve (£m)	14.6
(iii) Spread of Outstanding Durations	0-11 months
(iv) Guarantee Reserve (£m)	0.6
(v) Guaranteed Amount (£m)	0.6
(vi) MVR Free Conditions	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or regular withdrawal within certain limits
(vii) In Force Premiums	N/A
(viii) Increments	No

Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan

UWP benefits secured are wholly reassured with Phoenix Life Limited and the required disclosure may be found in the Returns of that Company.

Guaranteed Unit-Linked Maturity Values

In respect of business retained by the Company there are no guaranteed unit-linked maturity values.

In respect of unit-linked business written by the Company and reassured to Phoenix Life Limited, the guarantees are fully described in the Returns of Phoenix Life Limited.

(3) Guaranteed Insurability Options

Various endowments purchased in connection with a mortgage include options to effect additional cover in certain circumstances without requiring additional evidence of health. Take-up of this option has been extremely low and no additional reserve is held.

Some of the term assurance policies include options to convert to other policies without requiring further evidence of heath. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense contributions arising during the 12 months following the valuation date from explicit and implicit margins made in the valuation are:

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	6.2	0.0	12.0	9.5	27.7
All expenses attributable	6.2	0.0	12.0	n/a	18.2
Total	6.2	0.0	12.0	9.5	27.7

(2) Implicit Allowances

The implicit allowances above are in respect of investment management expenses. They are based on the rate of investment fees payable to the investment manager applied to the amount of reserves. This implicit allowance is met by the difference between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

Of the aggregate amount in 6.1, £13.0m would be reported on line 14 of Form 43. This amount is not significantly different from the amount reported on that line in this Return and reflects an expected small reduction in the expenses arising in the company in 2010. The balance of the aggregate amount in 6.1 would be reported on lines 13 and 15 of Form 43.

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6(1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the standard fees payable under a management services agreement plus a prudent allowance for costs that are not covered by these fees.

An allowance has been made for redundancy costs in respect of redundancies following compensation review exercises. The company is not liable for redundancy costs in general due to its outsourcing arrangement with Pearl Group Management Services.

No costs of terminating the management services agreement have been allowed for because the contract is not cancellable by the services provider.

(6) Non-attributable expenses

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature that are not covered by the standard fee under the management services agreement.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves (other than liabilities for property linked benefits) after distribution of surplus comprise:

Currency	Mathematical Reserves £m	Percentage matched in same currency
Sterling (£)	4,918.7	100%
Other	1.1	100%
Total	4,919.8	

(2) Other Currency Exposures

See table in paragraph 7 (1).

(3) Currency Mismatching Reserve

The liabilities in currencies other than sterling are matched by assets in the same currency. The currency mismatching reserve is therefore nil.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Phoenix & London Assurance Limited, being a realistic basis life firm, is not required to calculate a resilience capital requirement under INSPRU 3.1.9G.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable.

(6) Resilience Capital Requirement

Not applicable.

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

Details of other special reserves are set out below:

Description	Reserve
	£m
Data Contingency Reserve	13.2
Tax credit reversal	14.7

Additional Reserves

Additional reserves, exceeding the lesser of £10m and 0.1% of total mathematical reserves, comprise:

- Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business.
- An asset of £18.9m is relation to group tax relief of notional case 1 losses is held in Form 13. The value of this tax benefit to the long term fund has been assessed to be £4.2m. A provision of £14.7m has therefore been made to allow for the difference.

9. REINSURANCE

(1) Unauthorised reinsurers

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of reinsurance treaties in force at the valuation date are set out below.

(g) Not applicable since there are no deposit back arrangements under any of the treaties.

(h) All treaties are open to new business, other than those marked with an asterisk.

New business only arises from incremental policies or the exercising of options under existing contracts.

(i) There are no undischarged obligations

(n) Credit risk arises from a possible failure of the reassurer to meet its obligations. For reassurers which are not connected companies the risk is not deemed material. No provision has been made for credit risk in respect of reassurances with other companies in the Pearl group.

Legal risks arise from disputes regarding the operation of the treaties. Provision for any associated costs is by way of the litigation provision described in 8 above.

(o) No provision has been made under any of the treaties for any liability of the company to refund any amount of reinsurance commission in the event of the lapse or surrender of the contracts. Where such a liability exists, then the refund of commission will be more than offset by the return of the premium from the reinsurer.

(p) There is a financing arrangement in place to provide support to the long-term fund. The details of the arrangement are described fully in note 1508.

For the purposes of the regulatory valuation no provision has been made for the contingent repayment of £297.3m from the long-term fund to the shareholder fund.

(d) Name of Reinsurer	(e) Type of Business	Type of Reinsurance	Extent of Cover	(f) Premiums £000s	(j) Reserve Ceded £m	(l) Authorised in UK	(m) Connected to Company
Revios Re	Individual Life Assurance	2nd Surplus	100,000	-9.4	See Note 2	No	No
*Munich Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	375,000	36.4	See Note 2	Yes	No
Phoenix Life Limited	Note 1 (a)	Original Terms	No maximum	38,088.6	786.6	Yes	Yes
Phoenix Life Limited	Note 1 (b)	Original Terms /Risk Premium	Max of 350,000	262.0	134.7	Yes	Yes
Phoenix Life Limited	Note 1 (c)	Original Terms	No maximum	9,787.3	98.7	Yes	Yes
Hannover Re	Individual Life Assurance	2nd Surplus	200,000	-154.8	See Note 2	Yes	No
Swiss Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	1,125,000	977.6	See Note 2	Yes	No
GE Frankona	Individual Life Assurance	1st Surplus (Risk Premium)	375,000	329.4	See Note 2	Yes	No
*Scottish Re	Individual Life Assurance	2nd Surplus (Risk Premium)	50,000	-137.5	See Note 2	Yes	No

Note 1:

The treaties with Phoenix Life Limited include:

(a) The reassurance of the unit linked liability in respect of:

Lifetime Plan
Universal Protection Plan
Challenger Bond
Personal Pension Plan
Personal Pension Scheme
Executive Benefits Plan
Pension Reserve
Executive Pension Plan
Company Pension Scheme
Company Additional Pension Scheme
Individual Personal Pension Plan
Group Personal Pension Plan
Personal Additional Pension Plan;

This business is reinsured to the Phoenix Life Limited Non Profit Fund.

(b) The reassurance of certain with-profits endowments and Moneymaker contracts on original terms.

This business is reinsured to the Phoenix Life Limited 100% With Profits Fund.

The reassurance of some term assurance, Progressive Protection and PHI on original terms and Universal Protection Plans on risk premium terms and life cover benefits under unitised with profits pensions, MSP and RSP.

This business is reinsured to the Phoenix Life Limited Non Profit Fund.

(c) The reassurance of:

(i) UWP Bond business written after September 1997

(ii) The UWP liabilities for:

Executive Pension Plan
Company Pension Scheme
Company Additional Pension Scheme
Individual Personal Pension Plan
Group Personal Pension Plan
Personal Additional pension Plan

This business is reinsured to the Phoenix Life Limited Phoenix With-Profits Fund.

Note 2:

Reinsurance ceded external reserves total £11.9m. This total has not been split between the respective reinsurers.

10. REVERSIONARY (OR ANNUAL) BONUS

(1) Details of bonus rates

The following rates of reversionary bonus, which are independent of age and original term of the contract, were declared on the valuation date:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
Category 1 Contracts	2,251.6	0.05/0.05	0.05/0.05	0.05/0.05
Category 2 Contracts	1,138.8	0.10/0.10	0.10 /0.10	0.10/0.10
UWP Group Pensions	16.7	2.00	2.00	0.00
UWP life[1]	37.9	0.50	0.50	0.00

[1] The Company also writes unitised with-profits business which is wholly reassured to Phoenix Life Limited. The reversionary bonuses applying to these contracts are fully described in the Returns of that company.

Category 1 contracts are:

Additional Pension Plan
Executive Benefit Plan
Jersey Prosperity Plan
Pension Reserve
Personal Pension Plan
Retirement Security Plan
Transfer Plan

Category 2 contracts are all other contracts entitled to participate in profits excluding unitised with-profits contracts.

(2) Unitised with-profits business unit price increases

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. For business retained by the Company the reversionary bonus rate was 0.5% throughout 2009. The business other than UWP Group Pensions continues to be reassured to Phoenix Life Limited is described in the Returns of that Company.

(3) Super compound bonus

The table in 10 (1) shows bonus rates expressed as X%/Y% where X% is the bonus rate applied to the sum assured and Y% is the bonus rate applied to the attaching bonuses.

(4) Bonus series

Within a bonus series bonus rates do not vary.

APPENDIX 9.4A

PHOENIX & LONDON ASSURANCE LIMITED

Abstract of Valuation Report for Realistic Valuation

1. INTRODUCTION

(1) Valuation Date

The valuation date is 31 December 2009.

(2) Previous Valuation

The previous valuation related to 31 December 2008.

(3) Interim Valuations

An interim valuation was carried out on 30 June 2009.

2. ASSETS

(1) Economic Assumptions for Valuing Non-Profit Business

The economic assumptions for non-profit products are as follows:

	Current Valuation	Previous Valuation
Gross Investment return	See below	See below
Risk discount rate	See below	See below
RPI Inflation	3.58%	2.54%
Expense inflation	7.38%	6.34%

The value of future profits on non-profit products was calculated by assuming risk free rates of investment return and discount rates. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment expenses.

Discount rates used were spot yields taken from the curve, net of tax and investment expenses.

The risk free yield curves (gilt yield curve plus 10 basis points) were:

	Risk Free Rate	
Term (years)	Current Valuation	Previous Valuation
1	0.97%	1.22%
2	1.60%	1.87%
3	2.19%	2.31%
4	2.70%	2.63%
5	3.13%	2.87%
6	3.47%	3.06%
7	3.75%	3.22%
8	3.99%	3.35%
9	4.18%	3.47%
10	4.35%	3.58%
12	4.60%	3.81%
15	4.80%	4.13%
20	4.86%	4.34%
25	4.79%	4.08%

Allowance has been made under INSPRU 1.3.39G for the illiquid nature of a proportion of the assets (namely the corporate bonds) backing the immediate non-profit annuities within the Fund.

A liquidity premium has been calculated by taking the difference between the present value of the cash flows arising from these bonds on two yields. The first is a yield equal to the equivalent risk free rate for the bond, increased by an allowance for the risk of default; the second is the gross redemption yield of the bond. The adjustment for the risk of default varies on a bond by bond basis.

(2) Amount Determined Under INSPRU 1.3.33R(2)

Not applicable.

(3) With-Profits Benefits Reserves Below de minimis Limit

Not applicable.

(4) Different Sets of Assumptions

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation of With-Profits Benefits Reserve

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
With-profits – Whole Life	Prospective	36	(2)
With-profits – Other Life	Retrospective	1,188	(70)
With-profits – Pensions (Regular and Single Premium): Libra policies	Retrospective	802	231
With-profits – Pensions (Paid-Up): Libra Policies	Prospective	163	47
With-profits – Pensions (Regular and Single Premium): non-Libra policies	Retrospective	852	245
With-profits – Pensions (Paid-Up): non-Libra Policies	Prospective	369	106
UWP Life	Retrospective	55	(1)
Other		5	0
Total		3,468	555
Form 19 Line 31		3,468	
Form 19 Line 49			555

In the table above, the future policy related liabilities total £555m. This is made up of £(72)m for with-profits life business, £628m for with-profits pensions business and £(1)m for UWP life business.

The split in the table above for both the with-profits life business and the with-profits pensions business is in proportion to the respective with-profits benefits reserves.

(2) Correspondence with Form 19

Not applicable.

(3) With-Profits Benefit Reserves Below de minimis Limit

The amount categorised as "Other" above falls within the de minimis limit.

(4) Types Of Products

A scheme of arrangement under Part 26 of the Companies Act 2006 has been implemented with effect from 31 December 2009 to remove guaranteed annuity rates from certain UK individual with-profits pensions (pure endowment) policies in exchange for potential increases to non-guaranteed benefits. The policies affected are described as Libra policies.

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business, and pensions policies are divided into Libra and non-Libra policies.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

(a), (b)

Product Type	Proportion of With Profits Benefit Reserve Calculated from Individual Contracts	Proportion of With Profits Benefit Reserve Calculated from Grouped Contracts
With-profits – Life (excluding whole life)	100%	0%
With-profits – Pensions (excluding paid-up policies)	100%	0%
UWP Life	100%	0%

(c) (i) Whilst the asset shares have been calculated using individual data in all cases, the method used for unitised with-profits business has been the application, to the individual data, of a factor (ratio of asset share to face value of units) which has been calculated by reference to grouped / sample data. This is consistent with the way the business is operated in practice.

(2) Significant Changes To Valuation Methods

There have been no changes in the methods or assumptions since the previous valuation.

(3) Expense Allocation

(a) The previous expense investigation was carried out in the fourth quarter of 2009.

(b) Expense investigations are normally carried out on an annual basis.

(c)

	Item	£m
(i)	Initial Expenses	Nil[1]
(ii)	Maintenance Expenses	9.3
(ii)	Investment Expenses	3.8
(iii)	Method	Average expense charge deducted
(iv)	Expenses charged other than to with-profits benefits reserve	29.5

The expenses included in (iv) above include further investment expenses, other policy expenses that are not charged to asset shares (including the expenses associated with the non profit business), project costs and commission payments.

[1] Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

Investment expenses were deducted from the with-profits benefits reserve at the rate of 0.125% p.a.

(4) Significant Charges

The charges deducted from the with-profits benefits reserve in the year to the valuation date and the preceding year were:

	Current Valuation	Previous Valuation
	£m	£m
Net losses on non-profit business	1.3	25.1
Proportion of up-front outsourcing costs attributable to the period	0.0	0.0
Write-off of initial spreads on derivative contracts	0.5	16.4
Charges for guarantees and smoothing	68.7	74.8

(5) Charges For Non-Insurance Risk

Not applicable.

(6) Ratio Of Claims To Reserves

Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge, for the following specimen products and terms:

	Endowment Policies	Regular Premium Personal Pension Plan	Single Premium Personal Pension Plan	Regular Premium Executive Benefits Plan	Single Premium Executive Benefits Plan
1/1/2007 to 30/4/2007					
10 year term	99*	110*	113*	99*	123*
15 year term	95*	108*	98*	95*	114*
20 year term	93	106*	105*	96	110*
25 year term	93				
1/5/2007 to 31/8/2007					
10 year term	98*	109*	129*	99*	130*
15 year term	93*	107*	109*	96*	111*
20 year term	93	103*	116*	94	113*
25 year term	93				
1/9/2007 to 31/12/2007					
10 year term	97*	108*	135*	99*	135*
15 year term	93*	107*	112*	98*	115*
20 year term	93	104*	118*	95*	115*
25 year term	93				
1/1/2008 to 30/6/2008					
10 year term	98*	110*	144*	94*	144*
15 year term	94*	108*	122*	100*	129*
20 year term	94	110*	123*	99*	115*
25 year term	94				
1/7/2008 to 31/12/2008					
10 year term	105*	119*	168*	103*	167*
15 year term	105*	120*	143*	114*	161*
20 year term	100	125*	144*	115*	140*
25 year term	101				
1/1/2009 to 30/6/2009					
10 year term	104*	120*	105*	104*	178*
15 year term	108*	125*	147*	117*	167*
20 year term	105*	124*	145*	126*	152*
25 year term	100				
1/7/2009 to 31/12/2009					
10 year term	106*	124*	114*	108*	192*
15 year term	113*	132*	143*	125*	168*
20 year term	111*	129*	167*	133*	176*
25 year term	102				

* Denotes that a zero terminal bonus rate applied

Payouts on surrenders for conventional with-profits policies will generally have been based on a lower percentage of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve before deducting any exit charge.

Payouts on surrenders of unitised with-profits bonds have been set to the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge.

Year	
2004	98.00%
2005	91.0% to 95.0%
2006	91.9% to 100%
2007	92.8% to 100%
2008	92.1% to 100%
2009	91.0% to 100%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix and the outstanding term of the hypothecated fixed interest securities depend on the outstanding term and the level of guarantees under the policy (see PPFM for more details).

The average rates of investment return (before tax) added for the year to 31 December 2009 are:

Product Type	Investment Return
Conventional Life	13.03%
Conventional Pensions	2.35%
UWP Bond and Group Pension	2.52%
Other UWP Life	20.70%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

A prospective method has been used for with-profits whole life business and for paid-up with-profits pensions business.

Bonus rates on with-profits whole life business and paid-up pensions contracts are the same as the bonus rates on endowments and regular premium pension contracts respectively for the same term. A bonus reserve valuation is used to determine the with-profits benefits reserve, where:

- the bonus rates are the supportable bonus rates determined from the relevant product, and
- the economic assumptions are consistent with the supportable bonus rates (rather than being derived from the risk free rate).

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

The discount rate is the same as the investment return assumption. These rates together with the assumed rate for expense inflation are consistent with the assumed supportable bonus rates.

Economic Assumptions	
Discount rate p.a.	2.65%
Investment Return p.a.	2.65%
Expense Assumptions	
Investment Expense p.a.	0.10%
Per policy Expenses p.a.	£36.81
Expense Inflation p.a.	7.20%
Bonus Assumptions	
Reversionary Bonuses	
On Basic Sum Assured	0.10%
On accrued bonuses	0.10%

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

Sample terminal bonus rates are as follows:

Elapsed Term in Years	2010	2015	2020	2025	2030	2035	2040	2045
10	9.3%	7.6%						
15	2.1%	12.9%	11.7%					
20	4.2%	13.4%	21.9%	18.7%				
25	17.6%	19.0%	16.6%	30.5%	25.6%			
30	78.4%	38.3%	20.8%	12.2%	22.0%	4.1%		
35	189.2%	115.1%	44.1%	27.6%	34.1%	59.2%	57.4%	
40	550.5%	232.5%	134.3%	34.2%	29.1%	45.0%	68.9%	60.9%

There are no lapses.

Paid-Up With-Profits Pensions Business

The discount rate is the same as the investment return assumption. These rates together with the assumed rate for expense inflation are consistent with the assumed supportable bonus rates.

Economic Assumptions	
Discount rate p.a.	4.875%
Investment Return p.a.	4.875%
Expense Assumptions	
Investment Expense p.a.	0.125%
Per policy Expenses p.a.	£36.81
Expense Inflation p.a.	7.20%
Bonus Assumptions	
Reversionary Bonuses	
On personal pension deferred annuities	0.05%
On other products	0.05%

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

Sample terminal bonus rates are as follows:

Personal Pension Plan

Elapsed Term in Years	2010	2015	2020	2025	2030	2035	2040	2045
5	0.0%							
10	0.0%	0.0%						
15	0.0%	0.0%	0.0%					
20	0.0%	0.0%	0.0%	0.0%				
25	0.0%	0.0%	0.0%	0.0%	0.0%			
30	N/A	0.0%	0.0%	0.0%	0.0%	0.0%		
35	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	
40	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Executive Benefit Plan

Elapsed Term in Years	2010	2015	2020	2025	2030	2035	2040	2045
5	9.5%							
10	5.4%	9.3%						
15	0.0%	3.2%	1.8%					
20	0.0%	0.0%	0.0%	0.0%				
25	0.0%	0.0%	0.0%	0.0%	0.0%			
30	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	
35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A
40	N/A	N/A	0.0%	0.0%	0.0%	N/A	N/A	N/A

Personal Pension Plan (Deferred Annuity)

Elapsed Term in Years	2010	2015	2020	2025
25	N/A			
30	31.2%	N/A		
35	55.5%	43.6%	N/A	
40	195.1%	49.9%	52.2%	N/A

There are no lapses.

(2) Different Sets of Assumptions

Not applicable.

6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	Deterministic calculation	All business	224,076	5,923

(a) Cost of Guarantees & Options

The costs of guarantees are determined using a stochastic model, with the asset returns being generated by a proprietary model. The following items were calculated stochastically:

(i) Guaranteed annuity option reserves.
(ii) The reserves required in addition to asset share to meet guaranteed benefits.
(iii) Future retentions at maturity where payouts of less than 100% of asset share are being targeted
(iv) Future profits and losses where amounts payable upon surrender are less or more than asset share.
(v) The value of future guarantee charges deducted from asset share.

The calculations were carried out using a risk neutral approach.

Format of the Guaranteed Annuity Rates (GARs)

The customer can elect to take the annuity guarantee in a number of different forms (e.g. with escalation, with spouse's pension). The value of the GAR is initially calculated assuming all male aged 65, non-escalating, no spouse's pension and then a factor is used in the stochastic model to weight the value of the GAR to allow for the expected take-up of benefits in alternative forms and the resulting expected variation in cost. The weighting factors vary between contract and are as follows:

Product	Weighting Factor
Fowler PPP (non DSS)	91%
Fowler PPP (DSS)	91%
Transfer Plan	91%
Executive Benefit Plan	91%
Pension Reserve	85%
Retirement Security Plan	90%
Additional Pension Plan	92%
PPP '81	89%

Early Retirements

Contracts provide a guaranteed annuity option upon early retirement. It is probable that some surrenders are actually early retirements with a GAR. We assume that 0% of surrenders are early retirements 15 years or more before maturity increasing linearly to 100% immediately prior to maturity. A factor is also applied to reflect the earlier application of the GAR at a younger age. These adjustments are made within the stochastic model.

Our calculations allow for the assumed expenses of paying the annuity.

Based upon actual experience we assume that policyholders elect to take a proportion of their benefits as cash where permitted.

The whole of the guarantee liability is shown within the future cost of contractual guarantees.

Cost of Smoothing

The small amount of smoothing cost was determined deterministically as the excess of the projected actual payouts over the projected target payouts.

For pensions policies the smoothing cost allows for any GARs that will be provided on the overpayment.

We compare actual payouts at the valuation date with target payouts.

Where there is currently an overpayment relative to the target we anticipate a change to terminal bonus rates effective from 1st July 2010 and assume that payouts can be cut by up to 7.5% at declarations every 6 months limited to 15% over a 12 month period.

In the stress scenarios the maximum cut increases to 12.5% every six months and 25% in any 12 months.

The calculation is carried out separately for each major class of conventional business but a weighted average overpayment across different terms is used.

(b) (i) None.

(ii) All of the contracts are valued on a grouped basis.

(iii) For each product type we initially create separate model points for each combination of year of commencement and year of maturity. For unitised with profits bonds we split by commencement month.

This grouping allows for the asset mix associated with each cohort of business. It is aligned with the way in which we declare bonus rates on our business (our actual terminal bonus rate calculations are based on specimen policies split out in the same way i.e. product type, year of commencement and year of maturity although at quinquennial rather then annual intervals with monthly cohorts for unitised with-profits (UWP) bonds).

The initial model point files outlined above are then more heavily grouped to improve the run times in the stochastic model by amalgamating some of the smaller model points that were not making a significant contribution to the overall results. In order to test that this heavier grouping did not materially affect the results 3000 simulations were run at both levels of grouping and the results differed by less than 1% for the GAR & non GAR reserves.

(c) Less than 1% is unmodelled. The guarantee cost on this business is not material.

(3) Significant Changes

There are no changes in methods or assumptions since the previous valuation.

(4) Further Information on Stochastic Approach

(a) (i) The following tables give an indication of the extent to which the guarantees are in or out of the money at the valuation date. The table shows the percentage of the with-profits benefits reserve (including miscellaneous profit items) for each product that falls within each band. The bands are defined below.

% Asset Share	Band A	Band B	Band C	Band D
Endowments & Whole Life	0.4%	0.8%	0.5%	98.3%
Conventional Pensions	39.1%	2.9%	7.9%	50.1%
Unitised With Profit Bond	0.0%	0.0%	0.0%	100.0%

Where:

Band A	Contracts would need to earn >10%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band B	Contracts need to earn between 7.5% and 10%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band C	Contracts need to earn between 5% and 7.5%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band D	Contracts need to earn <5%p.a. on the equities & property backing their asset share to meet the maturity guarantee

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert.

The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

UK gilt returns are modelled using a gilts + 10bps calibration in an Annual LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model.

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The equity model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatilities are assumed to be constant beyond quoted strikes and maturities.

The volatilities used for UK equities are set out in 6(4)(a)(vi). The split between UK and overseas equities was 68%/32%.

Corporate bond returns continue to be modelled using the extended Jarrow-Lando-Turnbull model. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Output Correlations @ Year 10									
	Cash	Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	1.00	0.09	0.15	(0.03)	0.64	(0.59)	0.38	(0.52)	0.74	0.34
Equities		1.00	0.09	0.30	0.16	0.01	0.53	0.22	0.12	0.14
Property			1.00	0.09	0.08	(0.09)	0.08	(0.06)	0.15	0.09
Overseas equities				1.00	0.13	0.13	0.21	0.18	0.09	0.20
5yr Govt ZCB					1.00	0.07	0.65	0.09	0.56	0.33
15yr Govt ZCB						1.00	0.08	0.90	(0.40)	(0.06)
5yr Corp ZCB							1.00	0.38	0.35	0.25
15yr Corp ZCB								1.00	(0.34)	(0.01)
5yr Index Linked ZCB									1.00	0.78
15yr Index Linked ZCB										1.00

(iii) The table below is based on 3000 scenarios:

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	3.12%	4.80%	4.79%	4.60%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	857,399	494,768	310,751	207,350	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	115,997	259,896	347,501	422,101	234,578	409,371	518,289	605,674	584,382	769,047	902,447	1,010,199
3		FTSE All Share Index (p=0.8)	107,303	208,407	251,894	285,068	218,356	329,488	376,874	410,892	547,474	621,748	660,085	684,055
4		Property (p=1)	110,824	247,278	345,788	423,120	242,720	412,075	530,273	619,997	608,213	797,508	936,383	1,044,713
5		Property (p=0.8)	101,119	190,469	242,036	276,287	224,890	323,959	377,708	411,089	571,334	641,322	681,919	702,811
6		15 year risk free zero coupon bond (p=1)	20,328	17,887	16,387	28,812	93,975	80,166	96,544	143,197	500,006	499,255	511,222	544,553
7		15 year risk free zero coupon bond (p=0.8)	17,026	8,950	4,621	4,339	80,719	38,884	23,302	25,086	455,293	308,599	232,868	212,906
8		15 year risk free bonds (p=1)	23,446	28,510	34,326	52,716	103,426	107,029	125,459	165,530	498,503	495,382	513,725	553,152
9		15 year risk free bonds (p=0.8)	19,722	14,697	10,761	13,565	89,777	57,326	45,046	48,064	454,674	314,701	249,990	230,767
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	71,857	189,400	270,616	342,145	184,008	332,718	434,912	521,471	549,831	692,242	814,025	918,316
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	64,493	142,109	182,553	214,589	167,858	255,242	298,557	331,399	511,356	543,091	574,279	598,514
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	58,183	157,745	224,492	289,783	162,075	287,174	372,137	452,502	531,079	633,396	734,452	826,744
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	51,559	115,620	147,693	174,809	146,675	216,401	249,044	280,099	491,021	486,564	502,620	523,342
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	28,560	90,341	143,166	198,150	120,664	208,720	279,006	348,550	511,418	564,775	641,168	722,774
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	23,931	57,491	80,035	101,707	105,735	142,069	164,566	189,677	469,185	410,413	406,632	417,867
			L=15				L=20				L=25			
16		Receiver swaptions	4.95%	6.42%	5.47%	3.96%	6.39%	7.89%	6.53%	4.66%	7.70%	9.04%	7.32%	5.13%

(iv) UK initial equity yield: 3.44%
UK initial property rental yield: 4.30%

(v) Not applicable – there are no significant territories other than the UK.

(vi) The following table shows the outstanding guarantees analysed by term. In addition, the guarantees in column B have a GAR at vesting at various strike rates as shown below.

Year	Guaranteed Benefit (Policies with no GAR)	Guaranteed Benefit (Policies with GAR)	PPPDA (Guaranteed Cash)
	£m	£m	£m
	A	B	C
2010	117	98	1
2011	166	113	1
2012	196	125	1
2013	208	124	1
2014	146	125	1
2015	139	131	1
2016	61	137	2
2017	29	132	2
2018	29	138	2
2019	27	130	1
2020	100	45	1
2021	103	36	2
2022	99	32	1
2023	107	36	1
2024	111	35	0
2025	115	36	0
2026	111	27	0
2027	108	29	0
2028	115	22	1
2029	97	24	0
2030	93	20	0
2031	73	20	0
2032	66	13	0
2033	51	13	0
2034	42	9	0
2035	33	8	0
2036	25	6	0
2037	18	4	0
2038	7	3	0
2039	3	1	0
2040	1	1	0
2041	5	0	0
2042	0	0	0
2043	0	0	0
2044	0	0	0

Specimen guaranteed annuity (£) per £1,000 cash:

	Retirement Age	Annuity £ p.a. Male	Female
Executive Benefits Plan[1]	60	86.58	78.43
	65	100.00	88.50
	70	117.65	102.04
Personal Pension Plan[2]	60	92.60	82.50
	65	109.30	94.20
	70	133.80	111.30
	75	170.30	136.70

[1] guaranteed five years and payable monthly in advance
[2] payable annually in arrears

UK Equities

The asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Market

	Strike				
Term	**0.8**	**0.9**	**1**	**1.1**	**1.2**
1	29.10	25.88	22.89	20.29	18.28
3	28.75	26.78	24.92	23.17	21.59
5	28.43	26.74	25.26	24.04	23.11
10	28.67	27.57	26.57	25.65	24.83

Model

	Strike				
Term	**0.8**	**0.9**	**1**	**1.1**	**1.2**
1	24.43	24.33	24.35	24.40	24.47
3	28.15	27.10	26.22	25.42	24.73
5	28.04	27.16	26.32	25.53	24.82
10	28.00	27.36	26.79	26.29	25.83

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

	Strike				
Term	**0.8**	**0.9**	**1**	**1.1**	**1.2**
15	31.48	30.71	30.06	29.51	29.08
20	30.65	30.04	29.54	29.13	28.78
25	30.04	29.62	29.24	28.92	28.65
30	32.43	31.89	31.45	31.07	30.73

Difference (Model – Market) %

	Strike				
Term	0.8	0.9	1	1.1	1.2
1	(4.67)	(1.55)	1.46	4.11	6.19
3	(0.60)	0.32	1.30	2.25	3.14
5	(0.39)	0.42	1.06	1.49	1.71
10	(0.67)	(0.21)	0.22	0.64	1.00

Property

While the market in property options is developing the market is not yet sufficiently well developed and is not suitable for calibration. Property has been modelled as an equity-type asset using a constant volatility of 15%.

Fixed Interest

A LIBOR Market Model calibrated to Gilts + 10 basis points continues to be used. The calibration at the valuation date was as follows:

Term	Govt. + 10bp	Model	Difference (Model - Market bp)
1	0.97%	0.97%	0
2	1.60%	1.60%	0
3	2.19%	2.19%	0
4	2.70%	2.70%	0
5	3.13%	3.12%	(1)
7	3.75%	3.75%	0
10	4.35%	4.35%	0
15	4.80%	4.80%	0
20	4.86%	4.86%	0
25	4.79%	4.79%	0

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at the valuation date is as follows:

Term	Market IV	Model	Difference (Model - Market bp)
1	20.70	26.97	627
2	19.30	23.85	455
3	17.90	22.18	428
4	16.70	20.75	405
5	15.90	19.81	391
7	14.70	18.01	331
10	14.10	16.48	238
15	14.60	13.77	(83)
20	14.40	12.10	(230)
25	14.00	11.25	(305)
30	13.00	10.61	(239)

Credit (Corporate Bonds)

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities.

(vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert asset model as follows:

For UK and Overseas equities and for UK property we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The assets and liabilities have been computed using 3,000 (1,500 antithetic pairs of) simulated scenarios. This results in standard errors in the calculated yield curve of less than 1bp for terms 1- 30 years

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 3.6% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 1.3% of these prices.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

(a) We do not assume that any scenario specific management actions take place in the stochastic model. However the model allows for our investment strategy as follows:

a) Re-balancing of property and equities during 2010 to bring the actual asset mix into balance with the strategic target.

b) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.

c) An internal delta-hedge for equities and property which has an effect in the stress scenario.

d) Reduction in equity/property backing as policies near guarantee date.

e) We assume that policy classes do not move from the guarantee-related asset mix band to which they are allocated at the valuation date, although in practice some change will occur in more extreme stochastic scenarios.

We will continue to apply existing market value adjustment (MVA) policy i.e. we allow for MVAs on surrender of UWP business (but with a "floor" based on a discounted value of the no MVA guarantee).

We assume that the guarantee charge will remain fixed at its current level, although in practice it may reduce from its current capped level in some scenarios or, in extreme scenarios, rise above it.

Reversionary bonus rates will remain at current levels in future years.

Future miscellaneous surplus will be nil.

f) Except when less than the discounted value of maturity guarantees, exit charges on surrender for non-Libra policies will be 5% higher than on maturity. This differential reduces to nil over the last 10 years of the policy term.

For Libra policies, this exit charge on surrender will be 3% higher than on maturity. This differential also reduces to nil over the last 10 years of the policy term.

(b)

% UK & Overseas Equities		**Current Valuation Date**	**Current Valuation Date Plus 5 years**	**Current Valuation Date Plus 10 years**
	i	7%	5%	4%
	ii	Unchanged	Unchanged	Unchanged
	iii	Unchanged	Unchanged	Unchanged
Reversionary Bonus Rates on accumulating with profits		**Current Valuation Date**	**Current Valuation Date Plus 5 years**	**Current Valuation Date Plus 10 years**
		p.a	**p.a**	**p.a**
	i	0.5%	0.5%	0.5%
	ii	Nil	Nil	Nil
	iii	Nil	Nil	Nil

Derivative contracts do not have any significant impact on the figures shown.

(6) Persistency Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	2.00%	3.00%	2.00%	2.00%
CWP target cash endowment	Surrender	4.00%	4.00%	4.00%	4.00%
UWP savings endowment	Surrender	N/A	N/A	N/A	N/A
UWP target cash endowment	Surrender	N/A	N/A	N/A	N/A
UWP bond	Surrender	3.60%	12.2%*	10.00%	10.00%
UWP bond	Automatic withdrawals(**)				
CWP Exec Pension - regular premium	PUP	10.00%	10.00%	10.00%	10.00%
CWP Exec Pension	Surrender	5.00%	5.00%	5.00%	5.00%
CWP Personal Pension - regular premium	PUP	5.40%	5.20%	3.00%	3.00%
CWP Personal Pension - regular premium	Surrender	2.33%	1.83%	2.65%	2.65%
CWP Personal Pension - single premium	Surrender	1.35%	1.65%	1.85%	1.85%
UWP individual pension - regular premium	PUP	N/A	N/A	N/A	N/A
UWP individual pension - regular premium	Surrender	N/A	N/A	N/A	N/A
UWP individual pension - single premium	Surrender	N/A	N/A	N/A	N/A

(*) The surrender rate for UWP bonds in the above table excludes an additional assumption for surrenders at the 10 year "no MVA" guarantee point. We assume 90% of policies surrender at this date. The figure in the table above has been derived assuming a 10% lapse rate in the tenth policy year which is consistent with the lapse rate for policies that have been in force for longer than 10 years.

(**) We assume that policies that are taking automatic withdrawals will continue to do so at the current rates.

We assume that future paid-up policies will lapse at the same rate as policies already paid up at the valuation date.

For pension policies surrendering within 15 years of normal retirement date a proportion of surrenders are deemed to be early retirements with associated guaranteed annuity option entitlements. The proportion of surrenders assumed to be early retirements is 100% at normal retirement decreasing linearly to 0% 15 years prior to normal retirement.

<u>Take up Rates of Guaranteed Annuity Options</u>

The assumed proportion of cash in each scenario is dynamic according to the following formula: -

$$Cash = Min(L,(Max(10\%,(CxF)))x(1-Min(t,T)/SxT))$$

where

$$F = R^{k(j)x100} x R^{(i-j-k(j))x100x(ABS(i-j)>semirange)}$$

and

$$k(j) = i - Min(Max(j, i - semirange), i + semirange)$$

where

L	Overall limit on cash proportion. For PALAL PPP81 and Fowler Personal Pensions we set this to the IR maximum of 25%. For all other products we set it to 1.25 x C
C	Current experience assumption
F	Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable.
R	Reduction factor that applies outside of central "plateau" range (R=2/3)
R'	Reduction factor that applies within central "plateau" range (R'=0.9)
$k(j)$	Interim calculation variable depending on i,j, and semirange
semirange	Central "plateau" assumed to apply over a range from (i-semirange) to (i + semirange). Set at 1%.
t	Time in years from the valuation date
T	Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30)
S	Amount of longevity decline (S=3 so that cash declines by 1/3 over T years)
i	Average yield of a long term (20 year) benchmark conventional gilt over the period used to set the current experience assumption for the GAR expense loading. This period is the 30 months from 2007 to Q2 2009 over which the average yield is 4.43%.
j	20 year gilt rate at maturity for the particular scenario

Annuitant Mortality

The mortality assumption for annuities in possession arising from the exercising of guaranteed annuity options is 5% higher than that described in Appendix 9.4, paragraph 4 (4).

(7) Policyholder Actions

Modelled policyholder behaviour is static i.e. it does not vary between the different stochastic simulations apart from GAR take up rates, which vary according to the formula in (6) above.

7. FINANCING COSTS

There is a financing arrangement in place to provide support to the long-term fund. This is fully described in note 1508. For the purposes of the realistic valuation £138.9m is deemed not repayable being the amount required to produce a value of zero on line 68 of Form 19 and is included as an item within the reconciliation of regulatory and realistic current liabilities in section 9.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Mortgage Endowment Reserve	2.5
Additional Guaranteed Annuity Option Reserve	0.5
Data errors	6.6
Litigation	7.9
Reversal of tax asset	14.7
Other	46.9
Total	79.1

(a) Endowment Compensation Reserve

Some policyholders have been given non-compliant advice to take out an endowment policy to repay a mortgage.

A realistic amount to cover the cost of providing compensation to them has been assessed from the number of complaints expected to be received, the proportion anticipated to be valid and the expected amount of compensation per case payable, account being taken of the FSA guidelines on determination of compensation. Provision has also been made for the cost of handling complaints received.

(b) Additional Guaranteed Annuity Option Reserve

Additional realistic reserves are held in respect of expected additional payments on with-profits pensions claims in 1999, 2000, 2001 and 2002. Terminal bonus on the claim amounts had been calculated by deducting an amount for the expected cost of providing the guaranteed annuity option on those claims. Subsequent legal advice has indicated that this was not in accordance with the House of Lords judgement in Hyman v Equitable Life Assurance Society.

(c) Data error provision

A liability has been included for additional liabilities which may arise in connection with data errors affecting the long-term business.

(d) Litigation Costs and potential other costs

A liability has been included for future litigation settlements and other similar costs.

(e) Reversal of tax asset

Assets on Form 13 include an amount of £42.9m in relation to the Group tax relief of notional case 1 losses. The value of this tax benefit to the long term fund has been assessed to be £28.2m. A provision of £14.7m has therefore been made to allow for the difference.

(f) Other additional reserves

A liability has been included for any other miscellaneous additional reserves. These include provisions for investment expenses to achieve the required investment strategy in respect of Libra policies and for Solvency II.

9. REALISTIC CURRENT LIABILITIES

(a) Future Tax Adjustment

The realistic balance sheet calculations assume that tax will be payable in relation to the realistic proportion of life business. In reality the tax is calculated by reference to statutory liabilities. An adjustment is made to assume that future tax will be based on the statutory life proportion rather than the realistic life proportion.

The liability as at the valuation date amounted to £(5.8)m, i.e. the future tax adjustment is an asset.

(b) Additional Tax on Shareholder Transfers

An allowance is made for the additional tax arising on transfers to shareholders in respect of life business. This is calculated as a percentage of the present value of future transfers to shareholders in respect of life business; the percentage is as used in the embedded value calculation.

The liability at the valuation date amounted to £1.8m.

(c) Future Reinsurance Profits

The Company reinsures part of its endowment, whole life and UWP liabilities to Phoenix Life Limited ("PLL").

We recognise the value of the excess of future expected reinsurance claims over payments to the Company's policyholders.

At the valuation date the value of these excesses amounted to £43.1m in respect of endowment and whole life reinsurances to PLL and £13.0m in respect of the UWP reinsurances to PLL.

(d) Contingent Loan

In the regulatory valuation no liability is recognised to repay the £297.3m contingent loan. In the realistic valuation it is assumed that the excess over the £138.9m required to give zero working capital is repayable.

The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

	£m
Regulatory current liabilities	849
Future tax adjustment	(5.8)
Additional tax on shareholder transfers	1.8
Reinsurances	(56)
Contingent loan	(139)
Realistic current liabilities	649

10. RISK CAPITAL MARGIN

(a) The risk capital margin (RCM) amounts to £116.9m.

(i) The market risk scenario assumes that equities falls by 20% and real estate falls by 12.5%. However all indirect property held is treated as equity, so this scenario also effectively assumes that property falls by 20% as the Company holds no direct property.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.78%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.

(iii) The average change in spread for bonds backing with-profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is 2.00%:

(a) The change in the market value of bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is -6.71%
(b) not applicable
(c) not applicable
(d) not applicable
(e) The change in the market value of swaps is -91.68%. The change in value of the spreadlocks is -2.67%.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is +0.18%.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) In the stress scenarios we further assume that:

Annual bonus rates will be reduced to nil on traditional business and UWP business.

The data contingency provision increases from the £6.6m in the base scenario to £13.2m.

These actions are consistent with our PPFM and investment strategy.

(ii) The estimated effect of assuming reduced annual bonuses is to reduce the RCM by £10m.

(iii) If the management actions described in 10(b)(i) were integrated into the projection of assets and liabilities and thus disclosed in 6(5)(a), the effect on table 6(5)(b) would be that reversionary bonus rates on accumulating with profits policies would be nil for each future year in question and for each scenario. There would be no change to future proportions of equity assets.

(iv) The requirements of INSPRU 1.3.188R would be met if the actions described in 10(b)(i) were integrated into the projection of assets and liabilities.

(c) (i) The risk capital margin is covered by a combination of assets in the long term fund (being part of the contingent loan deemed not repayable) and shareholder fund which is principally invested in money market instruments and government gilts.

(ii) The Company has in place an internal capital support memorandum which provides for the transfer of contingent loan within the shareholders' fund to the long term fund should the need arise.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An approximate adjustment is made to allow for any differences between the tax calculated as described and the tax expected on a corporate basis. The adjustment is calculated within the stochastic model.

12. Derivatives

At the valuation date the company continued to hold a number of significant positions in interest rate swaps and swaptions. These positions are reviewed from time to time to ensure they continue to meet the risk reduction requirements of the fund.

The interest rate swaps are held in connection with the fixed interest portfolio and are used to improve the matching between the assets and the liabilities against changes in the yield curve for the long-term fund as a whole.

The interest rate swaptions are held in respect of the GAR liabilities. Receiver swaptions are held to cover part of the GAR liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the-with profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments.

The company has also entered into a number of swap spread lock contracts. These are used to hedge against the risk of swap spreads widening on the long (30 to 50 year) interest rate swaps that are currently held. They are structured as swaps or contracts for differences with the payout dependent on the swap spread at maturity relative to the initial swap spread, and can be a net asset or liability.

The contracts are denominated in sterling, are with approved credit institutions and collateral arrangements are in place to cover any risk of default.

13. Analysis of Working Capital

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	**0.0**
Modelling changes	5.0
Retrospective changes to asset shares	3.0
Other opening adjustments	(17.6)
Mismatch profits and losses	150.6
Assumption changes	
- Non-economic	39.5
- Economic	(44.2)
- Policyholder actions	23.5
Impact of new business	0.0
Impact of removing GARS from Libra policies	(127.7)
Other Variances	
- New provisions	13.6
- Compensation costs	(15.4)
- Charges	0.0
- Other non-economic	(8.3)
Change in contingent loan utilised	(26.5)
Unexplained	4.6
Closing working capital	**0.0**

The following table shows a breakdown of the liabilities shown on lines 47 and 51 of Form 19 at the start and end of the year:

£m	Current Valuation £m	Previous Valuation £m
Compensation costs	3.0	4.7
Tax credit reversal	14.7	14.7
Other provisions	61.4	39.3
Form 19 Line 47 total	**79.1**	**58.7**
Accounting liabilities	848.5	1,045.7
Future tax profit	(5.8)	(31.4)
Additional tax on shareholders' transfers	1.8	1.3
Reassurance assets	(56.2)	(63.2)
Contingent loan	(138.9)	(165.5)
Form 19 Line 51 total	**649.5**	**786.9**

The effect of the change in the provisions for compensation costs together with the amounts paid are shown as "compensation costs" in the analysis of change table.

14. Optional Disclosure

None made.

Returns under the Accounts and Statements Rules

Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2009

Throughout the year, the actuary who was appointed to perform the with-profits actuary function for the Phoenix & London Assurance Limited With-Profits Fund was Mr A E Burke.

1 (a) Mr Burke held an insurance policy issued by the insurer in the normal course of business, the transactions being of a minor nature.

(b) The aggregate of the remuneration and value of other benefits receivable by Mr Burke from the insurer in respect of 2009 was £172,866.

(c) Mr Burke was throughout the year a member of the PGL Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.

2 The insurer has made a request of Mr Burke to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Mr Burke.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2009

We certify that:

(1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and

(b) we are satisfied, save as disclosed in note 1 within the attached notes to the certificate, that:

(i) throughout the financial year, 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 of long-term insurance business entered into during the financial year and the resulting income earned 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 for the long-term insurance business 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; and

(d) the directors, 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.

M J Merrick	J S B Smith	J P Evans
....	....	....
Chief Executive	Director	Director

Date: 25 March 2010

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2009

Notes to the Directors' Certificate

1 Compliance with the provisions of SYSC

Paragraph (1)(b) requires that the insurer has complied in all material respects with the requirements in SYSC. There have been process and system issues in one of Pearl's outsourcers, UiSL Limited, which have generated higher than expected premium and claim suspense account balances when reconciling ledger balances to underlying policy administration systems.

During 2009 significant progress has been made in clearance of backlogs and putting in place enhanced procedures to prevent recurrence. This process will continue during 2010.

2 Principles and Practices of Financial Management

Paragraph 2(c) which relates to the management of the with-profits fund in accordance with the Principles and Practices of Financial Management (PPFM), has been omitted from the return due to certain minor instances where the management of the fund differed from the PPFM but these have not resulted in the unfair treatment of policyholders.

Returns under the Accounts and Statements Rules

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

Phoenix and London Assurance Limited

Global business

Financial year ended 31 December 2009

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of 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 2, 3, 11 to 19, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the reports required by IPRU(INS) rule 9.31 ("the valuation reports").

We are not required to examine and do not express an opinion on the following:

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with 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 examination 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 auditors' 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 examination, 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 statement 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 referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement 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 prepared in accordance with IPRU(INS) rule 9.31 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 statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept adequate accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rules

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

Phoenix and London Assurance Limited

Global business

Financial year ended 31 December 2009

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 statement and the valuation reports. The evidence included that previously obtained by us relating to the audit 29 March of the financial statements of the insurer for the financial year on which we reported on 2010. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement 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 statement 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 statement 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

Ernst & Young LLP

London

Date: 29 March 2010