Phoenix Pensions Limited

Annual FSA Insurance Returns for the year ended

31 December 2009

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

Phoenix Pensions Limited
Financial year ended 31 December 2009

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Form 2

Statement of solvency - long-term insurance business

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3649535	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	50000	9115
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	305663	301639
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	355663	310754
Guarantee fund			
Guarantee fund requirement	21	55250	53192
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	300413	257562
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	165750	159577
Resilience capital requirement	32	40000	
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	205750	159577
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	205750	159577
Excess (deficiency) of available capital resources to cover 50% of MCR	37	252788	230966
Excess (deficiency) of available capital resources to cover 75% of MCR	38	201350	191071
Enhanced capital requirement			
With-profits insurance capital component	39		
Enhanced capital requirement	40	205750	159577
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	205750	159577
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	149912	151177
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 Pensions 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

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	3649535	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		3000	3000	3000
Profit and loss account and other reserves	12		211092	211092	162829
Share premium account	13				
Positive valuation differences	14		182403	182403	203386
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		396495	396495	369215
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		396495	396495	369215
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		396495	396495	369215

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3649535	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				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				
Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3649535	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		396495	396495	369215
Inadmissible assets other than intangibles and own shares	73		17524	17524	36894
Assets in excess of market risk and counterparty limits	74		23308	23308	21567
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		355663	355663	310754
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		355663	355663	310754
Available capital resources for 50% MCR requirement	82		355663	355663	310754
Available capital resources for 75% MCR requirement	83		355663	355663	310754
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92		14962	14962	18490
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		209033	209033	198393
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		223995	223995	216883

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Pensions 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	3649535	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		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	43213	40522
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	263908	242465
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		
	Other	46		21911
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Pensions 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	3649535	GL	31	12	2009	£000	1

			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		
	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	53	23
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	728	2254
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	307902	307175

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer	**Phoenix Pensions 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	3649535	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	307902	307175
Admissible assets in excess of market and counterparty limits	92	23308	21567
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	(2192)	
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	329018	328742

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 Pensions 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	3649535	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		
	Debts and loans	30		
Other financial investments				
Equity shares		41	1250	
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	443809	624671
Rights under derivative contracts		44	57563	111681
Fixed interest securities	Approved	45	1391063	1542877
	Other	46	1985889	1407523
Variable interest securities	Approved	47		
	Other	48	53347	40334
Participation in investment pools		49		
Loans secured by mortgages		50		21102
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	15542	
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	284606	267114
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Pensions 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	3649535	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		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		30945
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	5323	14166
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	9264	4074
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	73188	61458
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	4320844	4125945

Analysis of admissible assets

Name of insurer **Phoenix Pensions 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	3649535	GL	31	12	2009	£000	10

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	4320844	4125945
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17524	36894
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	2992	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	62797	35139
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	4404157	4197978

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

Form 14

Long term insurance business liabilities and margins

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

Total business/Sub fund **Total 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	4143196	3988451
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	50000	9115
Long term insurance business fund carried forward (11 to 13)		14	4193196	3997566
Claims outstanding	Gross	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		236
Creditors	Direct insurance business	31		
	Reinsurance accepted	32	2011	
	Reinsurance ceded	33		9142
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	114658	119000
Accruals and deferred income		39	10979	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	127648	128378
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	4320844	4125944

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		

Total liabilities (11+12+49)	71	4270845	4116829
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	62797	35139
Other adjustments to liabilities (may be negative)	74	185395	203386
Capital and reserves and fund for future appropriations	75	(114879)	(157376)
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	4404157	4197978

Form 15

Liabilities (other than long term insurance business)

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day	month	year	Units
R15	3649535	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	2192	5466
	Foreseeable dividend	48		
	Other	49	48	70
Accruals and deferred income		51		
Total (19 to 51)		59	2240	5537
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	2240	5537

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(2192)	
Capital and reserves	84	328970	323205
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	329018	328742

Form 16

Profit and loss account (non-technical account)

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R16	3649535	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		
Investment income	Income	14	8040	5286
	Value re-adjustments on investments	15		
	Gains on the realisation of investments	16	173	23738
Investment charges	Investment management charges, including interest	17	279	286
	Value re-adjustments on investments	18	104	10072
	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		(19)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	7830	18647
Tax on profit or loss on ordinary activities		31	2065	5477
Profit or loss on ordinary activities after tax (29-31)		39	5765	13170
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	5765	13170
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	5765	13170

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Pensions 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	3649535	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				
	Interest rates	12	41739	90136	254800	975948
	Inflation	13				
	Credit index / basket	14				
	Credit single name	15				
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	14147	14243	14147	28390
	Mortality	20				
	Other	21				
In the money options	Swaptions	31	1677		18217	
	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				
	Equity index calls	42				
	Equity stock calls	43				
	Equity index puts	44				
	Equity stock puts	45				
	Other	46				
Total (11 to 46)		51	57563	104379	287164	1004338
Adjustment for variation margin		52				
Total (51 + 52)		53	57563	104379		

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 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total business**
Financial year ended	**31 December 2009**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	236814	394951
Investment income receivable before deduction of tax	12	198959	187538
Increase (decrease) in the value of non-linked assets brought into account	13	64912	(147679)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	500685	434810
Expenditure			
Claims incurred	21	279486	265625
Expenses payable	22	8842	9745
Interest payable before the deduction of tax	23	11421	2229
Taxation	24	1778	(23889)
Other expenditure	25	3528	2651
Transfer to (from) non technical account	26		
Total expenditure	29	305055	256361
Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	195630	178448
Fund brought forward	49	3997566	3819118
Fund carried forward (39+49)	59	4193196	3997566

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**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
Gross						
Regular premiums	11					
Single premiums	12		216141	20673	236814	394951
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17					
Single premiums	18		216141	20673	236814	394951
Total						
Gross	19		216141	20673	236814	394951
Reinsurance	20					
Net	21		216141	20673	236814	394951

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**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
Gross						
Death or disability lump sums	11		261	3	264	190
Disability periodic payments	12					
Surrender or partial surrender	13		1567	18	1585	1140
Annuity payments	14		231470	19773	251243	243225
Lump sums on maturity	15		26115	279	26394	21070
Total	16		259413	20073	279486	265625
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					
Net of reinsurance						
Death or disability lump sums	41		261	3	264	190
Disability periodic payments	42					
Surrender or partial surrender	43		1567	18	1585	1140
Annuity payments	44		231470	19773	251243	243225
Lump sums on maturity	45		26115	279	26394	21070
Total	46		259413	20073	279486	265625

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**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
Gross						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14		8724	108	8832	9446
Management - other	15		10		10	299
Total	16		8734	108	8842	9745
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44		8724	108	8832	9446
Management - other	45		10		10	299
Total	46		8734	108	8842	9745

Form 46

Long-term insurance business : Summary of new business

Name of insurer **Phoenix Pensions 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					
Single premium business	12					
Total	13					
Amount of new regular premiums						
Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
Total	24					
Amount of new single premiums						
Direct insurance business	25					
External reinsurance	26					
Intra-group reinsurance	27		216141	20673	236814	394951
Total	28		216141	20673	236814	394951

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix Pensions Limited**
Total business	
Financial year ended	**31 December 2009**
Units	**£000**
UK Pension / Reassurance accepted intra-group	

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
400	Annuity non-profit (CPA)				194216
905	Index linked annuity (CPA)				21925

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix Pensions Limited**
Total business	
Financial year ended	**31 December 2009**
Units	**£000**
Overseas / Reassurance accepted intra-group	

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
400	Annuity non-profit (CPA)				20673

Form 48

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

Name of insurer	**Phoenix Pensions 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	1405167	1556989	64084	4.12	
Other fixed interest securities	13	2044344	2131769	142092	6.67	
Variable interest securities	14	53723	62851	1520	2.42	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	1250	1250	10	0.79	
Other assets	18	531755	283379	1782	0.63	
Total	19	4036239	4036239	209487	5.19	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					
Overall return on with-profits assets						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Pensions Limited**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2009**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1158063	14.51	4.19	4.19
Other approved fixed interest securities	21	398926	9.36	3.91	3.84
Other fixed interest securities					
AAA/Aaa	31	96530	8.57	4.96	4.79
AA/Aa	32	201524	8.59	5.11	4.52
A/A	33	1022245	7.62	6.05	5.22
BBB/Baa	34	569996	6.94	6.86	5.00
BB/Ba	35	110294	5.70	12.49	10.40
B/B	36	8737	5.59	16.07	6.44
CCC/Caa	37	9333	5.40	19.04	3.24
Other (including unrated)	38	113110	8.58	8.05	4.66
Total other fixed interest securities	39	2131769	7.50	6.67	5.31
Approved variable interest securities	41	9128	14.14	0.58	0.58
Other variable interest securities	51	53723	13.84	2.73	1.93
Total (11+21+39+41+51)	61	3751610	9.97	5.54	4.75

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**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
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12		3619908	291993	3911901	3749587
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		289333		289333	269806
Form 54 - non-linked	17		4759		4759	4198
Total	18		3914000	291993	4205993	4023591
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22		58070		58070	32447
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		4727		4727	2692
Form 54 - non-linked	27					
Total	28		62797		62797	35139
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42		3561839	291993	3853831	3717140
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		284606		284606	267114
Form 54 - non-linked	47		4759		4759	4198
Total	48		3851204	291993	4143196	3988451

Form 51

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

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total 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
315	Individual deposit administration non-profit		643	206				65565
320	Group deposit administration non-profit		9784	94				64302
390	Deferred annuity non-profit (per annum)		44724	21				402872
400	Annuity non-profit (CPA)		171144					2406927
405	Annuity non-profit (CPA impaired life)		55759					663253
435	Miscellaneous non-profit		138					296
440	Additional reserves non-profit OB							16694

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

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total 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
400	Annuity non-profit (CPA)							3177
405	Annuity non-profit (CPA impaired life)							54892

Form 51

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

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total 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
390	Deferred annuity non-profit		21					201
395	Annuity non-profit (PLA)		73					1064
400	Annuity non-profit (CPA) - p.a.		19183					285819
435	Miscellaneous non-profit (per annum)		3951					4909

Form 54

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

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total 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		11614		289333	289333	4759	294092

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

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total 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
905	Index linked annuity				4727	4727		4727

Form 56

Long-term insurance business : Index linked business

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

Analysis of assets

		Value of assets 1	Mean Term 2
Approved variable interest securities	11	267296	18.32
Other variable interest securities	12	17310	13.99
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
Total (11 to 19)	20	284606	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
Total other fixed interest and other variable interest securities	39		

Form 57

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Pensions Limited**

Total business **Total 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 Pension NP Form 51 Other	532739		4.09	4.36
UK Pension NP Form 51 Annuities in Payment	3012110		5.03	5.10
UK Pension NP Form 54 Annuities in Payment	4759		0.73	1.88
UK Pension NP Form 51 Additional Reserves	16694			1.18
Overseas Pension NP Form 51 Other	5110		3.49	3.75
Overseas Pension NP Form 51 Annuities in Payment	286882		3.49	3.75
UK Miscellaneous All	296	n/a	n/a	0.56
Total	3858590			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Pensions Limited**
Total business / subfund	**Total business**
Financial year ended	**31 December 2009**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	4193196	3997567
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4193196	3997567
Mathematical reserves	21	4143196	3988451
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	50000	9115
Composition of surplus			
Balance brought forward	31	9115	50001
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	40885	(40886)
Total	39	50000	9115
Distribution of surplus			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	50000	9115
Total (48+49)	59	50000	9115
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Form 60

Long-term insurance capital requirement

Name of insurer **Phoenix Pensions 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%			1.00		
Classes I (other), II and IX	14	0.3%	7524	7498		22	39
Classes III, VII and VIII	15	0.3%					
Total	16		7524	7498		22	39
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	3911901	3853831	0.99	38538	37171
Classes III, VII and VIII (investment risk)	33	1%	294092	289365	0.98	2894	2713
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					41432	39885
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	3911901	3853831	0.99	115615	111514
Classes III, VII and VIII (investment risk)	43	3%	294092	289365	0.98	8681	8139
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		4205993	4143196		124296	119654
Long term insurance capital requirement	51					165750	159577

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2009

NOTES TO APPENDIX 9.1

0201 Section 148 waivers

(a) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in October 2008. The effect of the direction is to modify the provisions of *INSPRU* 3.1.35R and *IPRU(INS)* Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination

(b) 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

	2009 £'000	2008 £'000
Total other than long term insurance business assets - Form 13 line 89	307,902	307,175
Total long term insurance business assets – Form 13 line 89	4,320,844	4,125,945
Less liabilities – Form 14 line 11	(4,143,196)	(3,988,451)
Less liabilities – Form 14 line 49	(127,648)	(128,378)
Less liabilities – Form 15 line 69	(2,240)	(5,536)
Rounding	1	(1)
Net admissible assets	355,663	310,754
Capital resources after deductions – Form 3 line 79	355,663	310,754

0306 Financial reinsurance - ceded

On 30 June 2007, the Insurer received a loan from Hanover Re for £21.5m. After interest payments and capital repayments made in accordance with the terms of the agreement there is an amount of £15.0m (2008: £18.5m) (see Form 3 line 92) outstanding at the end of the financial year which has been utilised to support the long term insurance business fund. There is no reinsurance offset.

0308 Contingent Loan

On 30 June 2007, the Insurer's non-profit fund received a contingent loan of £200.0m from the non-profit fund of Phoenix Life Limited. In March 2008, £1.6m was repaid to Phoenix Life Limited. At 31 December 2009 and in accordance with the terms of the contingent loan agreement, £10.9m of interest has been accrued (2008: £nil) and no principal is due to be repaid back to Phoenix Life Limited leaving a balance of £198.4m (see Form 3 line 94) which has been utilised by the Insurer to support the long term insurance business fund.

NOTES TO APPENDIX 9.1 (continued)

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

Form 3 line 14 positive valuation differences analysed as follows:

	2009 £'000	2008 £'000
Outstanding contingent loan	198,393	198,393
Contingent Loan Interest	10,640	13,440
Financial reinsurance – ceded (see Form 3 line 92)	14,962	18,490
FSA prudent reserves released for UK GAAP	(38,600)	(27,207)
Taxation on FSA prudent reserves released for UK GAAP	-	270
Current taxation valuation difference	(2,992)	-
Form 3 line 14 - positive valuation differences	182,403	203,386

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

	2009 £'000
Profit and loss account and other reserves – Form 3 line 12 column 3	211,092
Profit and loss account and other reserves – Form 3 line 12 column 4	(162,829)
Movement	48,263
Explained by:	
Profit or loss retained for the financial year – Form 16 line 59	5,765
UK GAAP Technical account – long term business balance	42,498
	48,263

1304 & *1310* Set off

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.

NOTES TO APPENDIX 9.1 (continued)

1305 and *1319* Counterparty exposures

The investment guidelines operated by the insurer 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 Insurer 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. The exception to this is for loans to other companies within the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.

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

1308 Unlisted and listed investments

At 31 December 2009 the Insurer held £1.3m in unlisted securities relating to equities.

At 31 December 2009 the Insurer held £49.6m in listed not readily realisable investments relating to fixed interest securities.

1309 Hybrid Securities

The aggregate value of Hybrid Securities held by the insurer is £490.0m.

1318 Other asset adjustments

For 2009, the entry in Form 13 line 101 is in relation to a reclassification of debtors and creditors in the other than long term insurance business.

	£'000
Total other than long term insurance business assets	(2,192)

NOTES TO APPENDIX 9.1 (continued)

1401 and *1501* Provision for reasonably foreseeable adverse variations and valuation adjustments or reserves

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

No provision for reasonably foreseeable adverse variations has been made for the long term insurance business as liabilities are matched to assets.
As at 31 December 2009, 96% 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.

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) 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)

1405 Other adjustments to liabilities

	2009	2008
	£'000	£'000
Outstanding contingent loan	198,393	198,393
Contingent loan interest	10,640	13,440
Financial reinsurance – ceded (see Form 3 line 92)	14,962	18,490
FSA prudent reserves released for UK GAAP	(38,600)	(27,207)
Taxation on FSA prudent reserves released for UK GAAP	-	270
Form 14 line 74	185,395	203,386

1407 Contingent Loan

The non profit fund of the Insurer received a £200m contingent loan from the non-profit fund of Phoenix Life Limited on 30 June 2007. Any amounts due to the lender from the borrower shall be repayable solely on a contingent basis and subject to the conditions of the agreement. Interest will accrue at 1% above LIBOR. Any loan and interest payments are only payable when the valuation shows that the long term insurance business assets are more than the "threshold amount" and the valuation shows that there is an emerging surplus. The "threshold amount" represents an amount as set out in INSPRU 1.1.20R plus a capital margin of £50m. At 31 December 2009 and in accordance with the terms of the contingent loan agreement, £10.9m of interest has been accrued (2008: £nil) and no principal is due to be repaid to Phoenix Life Limited (2008: £nil). £1.6m was repaid in 2007 leaving a contingent loan balance of £198.4m.

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 other than 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

Other adjustments to liabilities as reported on Form 15 line 83 is as follows:

	2009	2008
	£'000	£'000
Reclassification of debtors and creditors	(2,192)	-

1508 Subordinated Loan

The Insurer's shareholder fund has a £170m subordinated loan facility from the shareholder fund of Phoenix Life Limited, whereby support is provided where it is anticipated that the Insurer has insufficient capital to meet the "Capital Test". The Capital Test requires there to be sufficient capital to meet 110% of its Individual Capital Assessment (ICA) and 110% of its capital resources requirement as shown on line 41 of Form 2. The loan is repayable at the Insurer's discretion, giving at least 6 months notice to the lender, to the extent that the Capital Test is met and with the prior consent of the FSA. Interest is due under these loan agreements at LIBOR plus 2%. As at 31 December 2009 the Insurer had not drawn-down any funds under this facility.

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 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

	2009	2008
	£'000	£'000
Administration fees	-	19

1700 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.

Returns under the Accounts and Statements Rules

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Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2009

NOTES TO APPENDIX 9.3

4002 Other income and expenditure

Other expenditure	2009 £'000	2008 £'000
Repayment of financing advance due to Hannover	3,528	2,651

4008 Provision of management services

Management services have been provided during the year by Pearl Group Management Services Limited and Ignis Asset Management. 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 Insurer 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 financial year the Insurer received the following:

	2009 £'000	2008 £'000
Premium received from Phoenix Life Limited	236,814	99,404
Premium received from Scottish Mutual Assurance Limited	-	171,962
Premium received from Scottish Provident Limited	-	207,381
Phoenix Life Assurance Limited recapture	-	(83,797)
	236,814	394,951

During the financial year the Insurer paid the following:

	2009 £'000	2008 £'000
Annuity claim payment Phoenix Life Limited	279,486	184,101
Annuity claim payment Scottish Mutual Assurance Limited	-	45,900
Annuity claim payment Scottish Provident Limited	-	35,624
	279,486	265,625

4702 Approximations used to apportion between product codes

Premiums for reinsurance accepted were paid in bulk and have been apportioned between product codes in proportion to the mathematical reserves.

NOTES TO APPENDIX 9.3 (continued)

4802 Treatment of expected income from defaulted assets

No value has been allowed for in respect of the assets where the payment of interest is in default. The nominal value of these holdings is £19.5 m.

4803 Assumptions regarding securities which may be redeemed over a period at option of the guarantor or the issuer

For variable redemption date securities, a redemption date that reflects the market experience/expectation is assumed in order to calculate the yield.

Earliest maturity date	£338.97m
Intermediate maturity date	£195.48m
Latest maturity date	£51.49m
Total Optional maturity date	£585.94m

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.

5702 The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in October 2008. The effect of the direction is to modify the provisions of *INSPRU* 3.1.35R and *IPRU(INS)* Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

5703 For 2009, this waiver was applied to the UK Pension NP Form 51 other and UK Pension NP Form 51 Annuities in payment product groups as shown in Form 57.

5704 In accordance with the direction above, the risk adjusted yield in the UK Pension NP Form 51 other and UK Pension NP Form 51 Annuities in payment product groups as shown in Form 57 Column 5 is derived as follows:-

Immediate Annuities

Market Value Weighted GRY (3.1.35R)	5.44%
Internal Rate of Return Adjustment	0.41%
Unadjusted Internal Rate of Return (3.1.35R as amended)	5.84%
Allowance for Default Risk (3.1.41R)	-0.74%
Risk-adjusted Internal Rate of Return	5.10%

Deferred Annuities

Market Value Weighted GRY (3.1.35R)	4.23%
Internal Rate of Return Adjustment	0.28%
Unadjusted Internal Rate of Return (3.1.35R as amended)	4.51%
Allowance of Default Risk (3.1.41R)	-0.15%
Risk-adjusted Internal Rate of Return	4.36%

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2009

(a) The Insurer has investment guidelines which indicate that derivative contracts will be held in the long term fund 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 Insurer. 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 Insurer 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 and interest rate swaptions to hedge interest rate risks on policies with guaranteed annuity options. The Insurer 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 (a)(ii) above may involve the use of such derivatives to hedge the funds against interest rate and other market movements.

(c) The Insurer was not a party to any such contracts of the kind described in b) at any time during the financial year.

(h) The Insurer 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 Insurer 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 Pensions Limited

Global business

Financial year ended 31 December 2009

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

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

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

(a) Phoenix Life Limited

As at 31 December 2009 Phoenix Life Limited owned 100% of the ordinary shares of Phoenix Pensions Limited, and was able to exercise 100% of the voting power at any general meeting.

(b) Pearl Life Holdings Limited

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

(c) 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 Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

(d) 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 Pensions Limited is a subsidiary undertaking and was able to exercise 75% of the voting power at any general meeting.

(e) 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 Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

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

(f) 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 Pensions Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

(g) 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 Pensions Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

(h) PGH (LC1) Limited

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

(i) PGH (LC2) Limited

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

(j) 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 Pensions 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.

(k) Xercise Limited

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

(l) 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 Pensions Limited is a subsidiary undertaking, and was able to exercise 13.24% of the voting power at any general meeting.

(m) 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 Pensions Limited is a subsidiary undertaking, and was able to exercise 13.24% of the voting power at any general meeting.

APPENDIX 9.4

PHOENIX PENSIONS 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

Products reassured by Phoenix Pensions Limited (PPL) were previously written in the following companies:

Britannic Assurance PLC (BA)
Britannic Retirement Solutions Limited (BRS)
Britannic Unit Linked Assurance Limited (BULA)
Century Life PLC (CLP)
Phoenix Assurance limited (PAL)
Royal and Sun Alliance Linked Insurances Limited (RSALI)
Swiss Life UK Limited (SLUK)
Scottish Provident Limited (SPL)
Scottish Mutual Assurance plc (SMA).

The reinsurances accepted by (PPL) are:
(a) non-profit immediate annuities
(b) non-profit conventional deferred annuities
(c) non-profit deposit administration deferred annuities.

Products are described below:

(a) non-profit immediate annuities.

These are annuities payable regularly for a selected term or until the annuitant's death if later. They can be written on a single life, joint life first death or joint life last survivor basis. The annuity can be guaranteed for a certain period, can escalate at a constant rate per annum, and can be with or without proportion or overlap. They can be written as pensions business or as general annuity business. All the reassured contracts are closed to new business apart from increments.

There are some RPI-Linked annuities where the benefits are guaranteed to increase with changes in the Retail Prices Index.

(b) non-profit conventional deferred annuities

These are deferred versions of the above immediate annuities. The products may or may not have guaranteed annuity rates attaching to them.

(c) non-profit deposit administration deferred annuities.

Products originally written in Phoenix Assurance Limited

Pension Plans are of three types. The Pension Plan for the Self Employed (PPSE) is a deferred annuity contract approved under section 226 of the Income and Corporation Taxes Act 1970. The Executive Pension Plan (EPP) is designed for treatment as an exempt approved scheme as defined in the Finance Act 1970. The Voluntary Pension Plan (VPP) provides additional benefits at retirement for members of approved company pension schemes through voluntary contributions of the member. Under these contracts, premiums for retirement benefits are paid into a Pension Account, interest being declared monthly in advance and compounded annually. On death during the deferred period RNI contracts return all the premiums paid into the Pension Account without interest and RWI contracts return the whole of the Pension Account. There is no return on death under the NR contract.

Products originally written in Swiss Life UK

Under these contracts the premiums received in each calendar year less charges, are credited to a separate account. On 31st December each year interest is added to these accounts at rates determined by the Actuary. In the event of a member's retirement, a withdrawal is made from the earliest account to cover the cost of purchasing an annuity. At the end of each calendar year, a charge is made equal to 0.3% of the account balances, and specified amounts are transferred from older accounts to the new year's account. On surrender, the amount payable is the balance of the accounts including credited interest, the surrender payments being spread over a defined period

Products originally written in Century

<u>Guaranteed Accumulation Pension Contract</u>

This is a group deposit administration policy. Management charges are deducted from each year's premium before it is credited to a separate account. Except for some of the earliest schemes, the level of these charges is not guaranteed and can be varied at the discretion of the Company. For premium paying schemes the account accumulates with credited interest additions which are the greater of:

(i) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%.

(ii) A basic credited rate increased by 1.5%.

For paid-up policies, the credited rate is reduced by 2% and the addition and guaranteed minimum cease to apply.

The policy contains guaranteed annuity rates for the purchase of pensions at retirement. At retirement the Company's current immediate annuity rates can be used, constrained as above, or the account can be used to purchase an annuity in the open market.

The Pensions 2000 Range (First Series)

This range consists of four varieties of one underlying group contract capable of exempt approval under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988. Three out of the range are pooled fund arrangements and one is a money purchase arrangement. A charge for the administration of the contract is deducted from the premiums before they are accumulated with interest in an account until retirement.

For the pooled funded arrangements, charges for the regular administration of the scheme contracts are deducted from each year's premium. The level of these charges is not guaranteed and can be varied at the discretion of the Company.

For the money purchase arrangements, no explicit charge for the regular administration of the contract is made, but no interest is credited to premiums in the policy year in which they are paid, except where premiums are paid annually in advance when interest accrues after a period of 6 months.

For premium paying schemes, the interest additions made to the accounts are the greater of:

(i) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy. The guaranteed rate is increased for schemes where the level of annual premium exceeds certain thresholds. These thresholds vary according to the year in which the policy was effected, and are increased from year to year in line with the increase in the Retail Price Index over the period between commencement and renewal dates.

(ii) A credited rate. This rate is increased as described above.

For paid-up policies, the credited rate is reduced by 2% and the threshold increases and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls.

The policies contain guaranteed annuity rates for the purchase of pensions at retirement as described for the Guaranteed Accumulation Pension Contract.

In general, the minimum annuity rate does not apply to regular premium increases and additional single premiums made from May 1999.

Century Group Deposit Administration

These are group pension contracts designed to secure approval under Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after provision for administration charges and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. There are also guaranteed deferred and immediate annuity rates for the conversion of funds into annuities. Separate life assurance and widows reversionary annuities may be included on a non-profit basis.

Century Personal Pension Plans - pre April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Separate life assurance may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Personal Pension Plans - post April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Separate life assurance may be included on a non-profit basis. Dividends are guaranteed to be not less than 4% per annum (1% per annum on Initial Premiums). There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Capital Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first year of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There remains an absolute guarantee that bonuses will average at least 4.5% and 1.5% per annum. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Executive Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years' of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable.

(2) Premiums on Reviewable Protection Policies

Not applicable.

(3) Non-profit Deposit Administration

Products originally written in Swiss Life UK

The rates of interest credited to accounts at the valuation date are given in the table below:

	Deposit Administration – Standard	Deposit Administration – Dollar Policies	
Account year	Interest per £1,000	Interest per £1,000	Interest per £1,000
		Series 1	Series 2
1982	128.50	-	-
1983	121.50	-	-
1984	120.50	-	-
1985	121.00	-	-
1986	118.00	90.00	80.00
1987	113.50	90.00	80.00
1988	113.50	90.00	80.00
1989	114.00	90.00	80.00
1990	110.00	90.00	80.00
1991	110.00	90.00	80.00
1992	100.00	90.00	80.00
1993	70.00	90.00	80.00
1994	75.00	56.30	80.00
1995	70.00	52.50	80.00
1996	70.00	46.00	46.00
1997	65.00	46.00	46.00
1998	50.00	36.00	36.00
1999	45.00	38.00	38.00
2000	45.00	38.00	38.00
2001	45.00	36.00	36.00
2002	45.00	36.00	36.00
2003	40.00	32.00	32.00
2004	43.00	34.40	34.40
2005	38.00	30.40	30.40
2006	41.00	32.80	32.80
2007	43.00	34.40	34.40
2008	40.00	32.00	32.00
2009	41.00	32.80	32.80

Products originally written in Phoenix Assurance Limited

The interest rates applied during the valuation year were as follows:

Month	Interest Rate %p.a.
January	5.81%
February	5.56%
March	4.80%
April	4.35%
May	4.10%
June	3.83%
July	3.62%
August	3.59%
September	3.59%
October	3.57%
November	3.58%
December	3.58%

Products originally written in Century

<u>Non profit Deposit Administration</u>

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are as follows:

Month	Interest Rate %p.a.
January	3.38%
February	3.13%
March	2.88%
April	2.63%
May	2.38%
June	2.00%
July	1.63%
August	1.25%
September	1.00%
October	0.63%
November	0.25%
December	0.00%

The Pensions 2000 Range (First Series)

The rates declared in the period covered by this return are as follows:

Month	Interest Rate %p.a.
January	3.38%
February	3.13%
March	2.88%
April	2.63%
May	2.38%
June	2.00%
July	1.63%
August	1.25%
September	1.00%
October	0.63%
November	0.25%
December	0.00%

For pooled funded arrangements, the base thresholds (i.e. before increasing in line with the Retail Price Index) are generally as follows:

Annual premium	Additional Interest
£4,999 or less	Nil
£5,000 to £9,999	0.50%
£10,000 to £49,999	1.00%
£50,000 or over	1.50%

For the money purchase arrangements additional interest is credited at the following rates:

Annual premium	Additional Interest
£9,999 or less	Nil
£10,000 to £49,999	0.50%
£50,000 or over	1.00%

This scale of thresholds applies to each of the first five policy years of a scheme. In subsequent years, the threshold levels are indexed in line with the Retail Price Index.

(4) Service Charges on Linked Policies

Not applicable.

(5) Benefit Charges on Linked Policies

Not applicable.

(6) Accumulating With Profits Charges

Not applicable.

(7) Unit Pricing of Internal Linked Funds

Not applicable.

(8) Tax Deductions From Internal Linked Funds

Not applicable.

(9) Tax Provisions for Internal Linked Funds

Not applicable.

(10) Discounts on Unit Purchases

Not applicable.

4. VALUATION BASIS

(1) Valuation Methods

Immediate Annuities

For immediate annuities, the reserve has been calculated as the present value of future benefits, together with an additional reserve for the present value of future expenses. Both allow when applicable for appropriate inflation.

For certain annuities there is a capital guarantee that if the annuitant dies before the annuity payments made equal or exceed the purchase price, the shortfall becomes payable immediately. Provision for those extra guarantees is included with the reserves shown.

Deferred Annuities

For all deferred annuity contracts, the reserve was calculated using a gross premium method of valuation. Personal Retirement Plans were valued using a cashflow method.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums to make the mathematical reserves zero.

For Non Linked Deferred Annuities originally written in Century the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

Ex-NELPEN Self Employed Pension Plans, Personal Pension Policies, EPPs, AVCs, Transfer Plan and Group Pension Schemes (including Pensions Management Contracts)

Under "Guaranteed Growth" contracts, for the "Second Account" or "Main Account" the full accumulated balance is taken and for "First Account" or "Initial Account" the accumulated balance is discounted with mortality and interest. On all "Guaranteed Growth" contracts, the accumulated balance at the valuation date is increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary.

For Guaranteed Growth Plans, the valuation method was to take the accumulated balance of the "Second Account/Main Account" plus the discounted balance of the "First Account/Initial Account" plus a reserve for future expenses and mortality. The basic reserves allow for the guaranteed unit growth rates.

Deposit Administration Contracts

For deposit administration policies, the reserves have been calculated according to the source of the business as follows:

The liability for Pension Plans originally written by PAL was calculated as:

(i) the total Pension Accounts; plus
(ii) an allowance for any death in service benefits provided under the Executive Pension Plan; plus
(iii) an allowance to provide for investment guarantees; plus
(iv) an annual per policy expense.

For Deposit Administration contracts and Deferred Annuities by Cash Accumulation which were originally written by Swiss Life UK Limited, the reserve is the discounted value of expected future transfers from the accounts, including bonuses at the current rate. The discounted value of the payments due on surrender of the contract has been used where this produces a higher reserve.

For deposit administration policies originally written by Century, the base reserve for ex-Crown contracts has been taken as the aggregate of the surrender value for each scheme at the valuation date including an allowance for interest from the previous scheme anniversary date to the valuation date. The interest rate used varied by month of scheme renewal and was derived from the average rate of interest earned in the period to the valuation date, including an additional amount to allow for enhancements allowed for certain schemes.

For the guaranteed minimum rate of interest on ex-Crown Deposit Administration business the expected cost of the guarantee for the remaining term of the policy was calculated assuming that interest rates fell by 20% at the valuation date.

For ex-OMLA Personal Pension Plans, Capital Pension Plans and Executive Pension plans, the main fund was taken as the full accumulated balance and for the Initial Premium fund the accumulated balance was discounted with mortality and interest. For all contracts, the accumulated balance at the valuation date was increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary. An additional sterling reserve was calculated using a cash-flow method. The basic reserves allow for the guaranteed unit growth rates.

(2) Valuation Interest Rates

The valuation interest rates used are as shown in the following table:-

Product Group	Current Valuation	Previous Valuation
Deferred Annuities (UK) - In Deferment	4.09%	3.30%
Deferred Annuities (UK) - In Payment	4.09%	3.30%
Deferred Annuities (Euro) - In Deferment	3.49%	3.45%
Deferred Annuities (Euro) - In Payment	3.49%	3.45%
Immediate Annuities (UK Fixed)	5.03%	5.65%
Immediate Annuities (UK Index Linked)	0.73%	1.19%
Immediate Annuities (Euro)	3.49%	3.45%

For 2009, the valuation interest rate for sterling immediate and deferred annuity business is calculated based on the waiver granted by the Financial Services Authority, under section 148 of the Financial Services and Markets Act 2000. Under this wavier a company is allowed to calculate the valuation rate of interest using the internal rate of return on assets backing the annuity liabilities instead of using the arithmetic mean of gross redemption yield on each asset weighted by their market value. Details of this waiver are covered in the Notes to Appendix 9.3. For 2009, this waiver was utilised for sterling immediate annuity business only.

The methodology for setting the valuation interest rate for the euro-denominated liabilities and index linked annuities remains unchanged, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

(3) Risk Adjustments

The yields on approved securities were not reduced.

For non-approved assets 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) were:

Rating	5yr	10yr	20yr
AAA	4.4	12.8	15.9
AA	19.6	33.6	48.8
A	32.2	46.6	62.5
BAA	83.6	104.3	120.9
BA	257.0	273.9	283.0
B	573.8	509.4	426.7

A number of different techniques were then employed to arrive at an additional haircut, namely:

- For bank subordinated debt, 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.
- Subordinated debt attracted hair cuts based on the senior rating of the issuer rather than the rating of the bond itself.
- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).

The yield on interest bearing cash deposits is reduced by 0.5%.

For December 2009, an analysis of callable bonds was carried out at an individual stock level to determine the most apporiate redemption date for each bond. It was assumed that any callable bond yielding more than 300 bps in excess of the average yield on non-callable bonds of similar rating and duration would not be called at the first call date. Such bonds were assumed to be called at the last call date, unless this resulted in a yield which was below the average yield on non-callable bonds of similar rating and (revised) duration, in which case an intermediate date was assumed that gave a yield of no more than 300 bps in excess of average.

The adjustments described in this section are in addition to the 2.5% required by the regulations.

The margins in the valuation interest rate are apparent from Form 57.

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Pensions pre-vesting and deposit administration contracts		
Written in Century		
Ex With Profit Fund business	45% A67/70	45% A67/70
Ex Non Profit Fund business	50% A67/70 Females = Males - 3yrs	50% A67/70 Females = Males - 3yrs
AIDS loading	33% R6A for males and females	33% R6A for males and females
Written in RSALI and Phoenix	50% AM92 57% AF92	50% AM92 57% AF92
Written in Swiss Life	Modified PCMA00 Modified PCFA00	Modified PCMA00 Modified PCFA00
Written in BA	90% AMC00 90% AFC00	90% AMC00 90% AFC00
Written in BULA UL	58% AMC00 58% AFC00	58% AMC00 58% AFC00
Written in SMA	72% AM92 66% AF92	72% AM92 66% AF92
Written in SPL	88% AM92 110% AF92	88% AM92 110% AF92
Post Retirement Deferred Annuity Mortality		
All business in PPL except SMA & SPL	Modified PCMA00 Modified PCFA00	Modified PCMA00 Modified PCFA00
Written in SMA and SPL	Modified PCMA00 Modified PCFA00	Modified PNMA00 Modified PNFA00
Immediate Annuity Mortality		
All business except SMA, SPL and BRS	Modified PCMA00 Modified PCFA00	Modified PCMA00 Modified PCFA00
BRS	Modified RMV00 Modified RFV00	Modified PMA92 Modified PFA92
SMA and SPL	Modified PCMA00 Modified PCFA00	Modified PNMA00 Modified PNFA00

The valuation basis takes an age related percentage of the standard table then applies annual improvement factors.

The same improvement factors are applied to all PPL business including business previously written in BRS.

The specimen annual improvement rates for the current valuation, dependent on calendar year, are given below:

Males	2010	2020	2030	2040	2050	2060
40	1.44%					
50	1.98%	2.47%				
60	1.45%	2.63%	2.87%			
70	2.52%	1.80%	2.47%	2.64%		
80	3.91%	2.09%	1.71%	2.13%	2.17%	
90	1.91%	2.11%	1.56%	1.55%	1.63%	1.63%
100	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%

Females	2010	2020	2030	2040	2050	2060
40	1.76%					
50	2.51%	2.98%				
60	1.82%	3.31%	3.12%			
70	2.58%	2.55%	2.90%	2.69%		
80	3.41%	2.44%	2.14%	2.20%	2.17%	
90	1.62%	2.03%	1.70%	1.62%	1.63%	1.63%
100	1.00%	1.08%	1.08%	1.08%	1.08%	1.08%

Improvement rates for a cohort are read down the diagonal, i.e. a 60 year old male will experience an improvement rate of 1.45% in 2010 and 1.80% in 2020, when he would be 70.

The expectation of life for annuities in payment under current year valuation assumptions for sample ages (other than for ex-BRS business) is:

	Current Year		Previous Year	
Age	**Males**	**Females**	**Males**	**Females**
Written in BA and BULA (unit linked fund)				
65	23.55	24.53	24.47	24.95
75	14.92	14.92	15.39	15.20
Written in BULA (non profit fund)				
65	24.14	24.84	25.76	26.80
75	14.78	15.28	15.74	16.79
Written in Century				
65	24.14	24.84	23.42	26.11
75	14.78	15.28	13.89	16.22
Written in Swiss Life UK				
65	25.22	25.89	27.03	28.71
75	15.06	16.19	16.09	18.95
Written in Phoenix Life Assurance Limited				
65	23.68	26.16	24.88	26.37
75	14.35	16.33	15.07	16.46
Written in SMA and SPL				
65	23.75	25.33	24.17	25.60
75	14.40	15.60	14.35	15.63
Remaining Business Written in PLL excluding BRS				
65	23.68	26.16	24.88	26.37
75	14.35	16.33	15.07	16.46

The expectation of life for each category of impairment for ex-BRS business is:-

Current Year

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium Impairment	High Impairment	Seriously ill
Male aged 65	25.99	25.93	25.80	21.24	19.09	17.06	14.21
Male aged 75	16.63	16.58	16.48	12.66	11.26	9.82	7.83
Female aged 65	29.30	29.26	29.19	24.73	23.91	22.40	19.96
Female aged 75	19.20	19.17	19.11	15.13	14.80	13.72	11.99

Previous Year

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium Impairment	High Impairment	Seriously ill
Male aged 65	24.46	23.75	22.71	21.13	17.69	15.27	11.85
Male aged 75	15.79	15.13	14.11	13.07	10.51	8.68	6.14
Female aged 65	26.85	25.97	24.50	23.73	21.01	18.62	14.77
Female aged 75	17.90	17.05	15.58	15.30	13.46	11.68	8.77

The expectation of life for sample ages for deferred annuities is:

	Current Age	Expectation of life from Age	Current Year		Previous Year	
			Males	Females	Males	Females
Written in PLL excluding Century						
Deferred annuities	45	65	26.90	29.24	28.98	29.97
	55	65	25.28	27.74	27.06	28.27
Written in Century						
Deferred annuities	45	65	27.22	27.99	27.46	29.93
	55	65	25.67	26.45	25.57	28.12
Written in SMA and SPL						
Deferred annuities	45	65	26.96	28.43	28.20	28.90
	55	65	25.34	26.91	26.30	27.30

(5) Morbidity Basis

Not applicable.

(6) Expenses

The following table shows the gross attributable expenses per policy per annum:

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Immediate Annuity	27.93	27.73
Deferred Annuities	34.63	34.38
Deposit administration	34.63	34.38

(7) Unit Growth Rates

Not applicable.

(8) Future Bonus Rates

Not applicable.

(9) Persistency Assumptions

No allowance for lapses is made in the valuation.

(10) Other Material Assumptions

Reinvestment Risk

The regulations also require the valuation rate to be reduced for reinvestment risk if necessary.

There may be some reinvestment risk in relation to all liability classes in PPL as the assets and liabilities are matched on a realistic rather than statutory basis. This is determined by identifying how much of each year's annuity payments come from asset cashflows and how much is projected to come from draw down of the accumulated reinvested assets. The proportion provided by the assets is accredited the current asset yield, that part coming from reinvested assets is accredited the reinvestment yield. The portfolio yield is reduced to allow for the reinvested assets producing a return no larger than the maximum within the FSA rules.

Policies previously written in BRS

A proportion of the mortality risk is reinsured to Hanover Re on a prescribed basis. The reinsurance reserves allow for 90% of the recoveries that would be due under the treaty on the valuation mortality assumptions.

The reinsurance treaty also allows for payments from the reinsurer in respect of administration expenses. Reinsurance reserves are established equal to the present value of the payments expected from the reinsurer.

(11) Allowance for Derivatives

The fund holds a number of swap contracts. The swap contracts (both assets and liabilities) are incorporated within the fixed interest portfolio for the purposes of determining a valuation rate of interest. Specifically for interest rate swaps we:

(i) Calculate the cashflows that the swaps will produce if future interest rates are in accordance with the LIBOR forward yield curve at the valuation date.

(ii) Calculate the cashflows arising from the fixed interest portfolio (excluding swaps) if held to redemption.

(iii) Find the overall yield on the fixed interest portfolio (excluding swaps) by equating the cashflows in (ii) to the market value of the fixed interest assets (excluding swaps).

(iv) Find the overall yield on the combined fixed interest and swap portfolio by equating the cashflows in (i) and (ii) to the market value of the swaps plus the fixed interest assets.

(v) The difference between the yields in (iii) and (iv) shows the impact on yield of folding the swaps in with the fixed interest portfolio.

The business is backed by assets which include euro denominated bonds together with currency swaps to convert the coupon and redemption proceeds to sterling. To allow for these steps (i) and (ii) above are amended to project future cashflows in sterling using forward exchange rates.

In addition to the swaps, the assets described in Form 13 contain other derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives 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

Business written in Century contains some Guaranteed Annuity Rate Options. The liabilities for Guaranteed Annuity rate Options (GAOs) were calculated at policy level using a deterministic valuation interest rate. All the policies were significantly in the money at the valuation date and are likely to remain so in the future unless interest rates increase substantially. The value of the GAOs is therefore virtually all intrinsic value, and if a stochastic method had been used, the reserves thus calculated would not be materially different from the values reported.

The main assumptions used to value GAOs were:

(i) 20% of policies take 25% of their fund as cash at retirement leading to a 95% GAO take-up rate assumption for all outstanding durations;

(ii) mortality was assumed to be on the same basis as for the underlying policy valuation;

(iii) an expense allowance of 4% was included for payment expenses post vesting for all classes;

(iv) a valuation interest rate of 4.09%; and

(v) the rate of interest used after vesting was 4.09%.

Details of GAOs that were in force at the valuation date are shown in the table below.

Product	Basic Reserve £m	O/S Durn Spread years	Gtee Reserve £m	GAO Rate	Incrs Yes/No	Ann. Form	Ret. Ages
Ex-NEL Gteed Growth	18.4	0-39	13.2	11.1%	Yes	*	60-75
Ex-Crown Dep Admin	2.5	0-23	0.1	10.3%	Yes	*	60-75
Ex-OMLA Ex-WP	7.3	0-16	2.8	8.9%	Yes	*	50-75

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable.

(4) Other Guarantees and Options

Policies previously written in SMA

Some classes of deferred annuity have a cash option. The value of the annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves and the cash option, assuming a take-up rate for the cash option of 5% for all maturities. The vesting date is taken to be Normal Retirement Age.

The total reserves on these contracts, after allowing for the cash option which reduces the reserve from that which would be required if only the deferred annuity was valued, are:

Deferred annuity contract	Total Mathematical reserves	Mathematical reserves if no option	Reduction to Mathematical reserve in respect of option
Individual Pension Arrangements	£9.3m	£9.4m	£0.2m

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
Immediate annuities		3.4	4.9		8.3
Deferred Annuities		0.4	1.0		1.4
Deposit Administration		0.1	0.3		0.5
All expenses attributable		3.9	6.3	n/a	10.2
Total		3.9	6.3		10.2

(2) Implicit Allowances

There are no implicit allowances.

(3) Form 43 Comparison

The aggregate amount in 6(1) exceeds the amount reported in line 14 of Form 43 because it includes new business accepted throughout 2009 and has been inflated for an extra year in accordance with the expense agreement.

(4) New Business Expense Overrun

The Company does not write new business directly and it does not expect to incur any material strain in writing new reassurance business.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6(1) are considered 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 the reassurance agreements.

(6) Non-attributable expenses

Not applicable.

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	Backed by assets in same currency	Backed by assets in other currency	Mismatching Percentage
	£m	£m	£m	
Sterling (£)	3,851.2	3,676.8	174.5	4.53
Euro (€)	290.7	290.7	0.0	0.00
Other currency	1.3	0.0	1.3	100.00
Total	4,143.2	3,967.4	175.8	4.24

(2) Other Currency Exposures

Liabilities totalling £1.3m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

(3) Currency Mismatching Reserve

For the Euro denominated liabilities there are matching assets denominated in the same currency. For the sterling denominated liabilities, there is a currency mismatch of assets and liabilities of just under 5%. Currency swaps are held to negate the effect of the exchange rate moves. The size, currency and term of assets in respect of non-profit fund are reviewed regularly. There is therefore minimal currency risk and so no additional currency mismatching reserve is required.

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

Changes in the value of assets and liabilities have been tested following the rules in INSPRU 3.1.16(R). The following stresses were tested:

Change in	Fixed Interest Yields
Stress (a)	-20% of long term gilt yield
Stress (b)	+20% of long term gilt yield

The most onerous stress is stress (a).

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

The same stresses were applied for overseas assets and liabilities. The most onerous stress is also stress (a).

(6) Resilience Capital Requirement

(a) There was a £40m resilience capital requirement in respect of the scenarios described under both (4) and (5) together.

(b) Under the most onerous scenario the liabilities for UK business increased by £380.1m and the liabilities for euro-denominated business increased by £26.5m.

(c) Under the most onerous stress the assets allocated to match such liabilities for UK business increased by £347.3m and the assets for euro-denominated business increased by £19.3m.

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

The size, currency and term of assets in respect of non profit fund are reviewed regularly. The liabilities are backed mainly by fixed interest assets and cash and projections are carried out on appropriate, realistic assumptions and Investment Managers are given rules to control the duration of such assets.

8. OTHER SPECIAL RESERVES

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

Description	Reserve
	£m
Data Contingency Reserve	9.7
Litigation Reserve	5.8

These provisions are calculated having regard to past experience.

9. REINSURANCE

(1) Facultative Reinsurance

(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 such 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 the only reinsurance treaty in force at the valuation date are set out below.

(d) **Hanover Ruechversicherung AG.**
(e) The treaties provide stop loss mortality cover for a proportion of the business reinsured.
(f) No premiums are payable in respect of the treaties. A repayment of the financing advance of £3.5m was made during the year.
(g) There is no deposit back arrangement
(h) The treaty is closed to new business.
(i) The amount of undischarged obligations of the insurer is £15m :

Treaty	Undischarged obligation £m
2000	1.9
2001	4.9
2002	8.2
2003	0.0

(j) The amount of mathematical reserves ceded under the treaties at the valuation date was £62.8m.

(k) The insurer retains 25% of the mortality risk for the 2000 and 2001 treaties and 50% of the mortality risk for the 2002 and 2003 treaties.

(l) Hanover Ruechversicherung AG is not authorised to carry on insurance business in the United Kingdom

(m) The reinsurer is not a connected company of the insurer.

(n) There are no material contingencies, such as credit risk or legal risk, to which the treaties are subject

(o) No provision has been made for any liability of the insurer to refund any commission in the event of lapse or surrender of the contract.

(p) (i) Repayment of the undischarged obligation is contingent on the emergence as surplus of margins in the valuation basis.

(ii) No provision has been made in the valuation for the amount of the undischarged obligation at the valuation date. The impact of the arrangements on the valuation result is to increase the fund and surplus carried forward by the amount of the undischarged obligation. No allowance has been made for contingencies, such as credit or legal risk, associated with the financing arrangements.

10. REVERSIONARY (OR ANNUAL) BONUS

(1) Details of bonus rates

Not applicable.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix Pensions 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 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

(c) the directors, have in preparing the return, taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

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

Date: 25 March 2010

Returns under the Accounts and Statement Rules

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

Phoenix Pensions 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, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the report required by IPRU(INS) rule 9.31(a) ("the valuation report").

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

- Forms 46, 47, 50, 51 and 54 (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 report) 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 report 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 report prepared in accordance with IPRU(INS) rule 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report 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 Statement Rules

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

Phoenix Pensions 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 report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 29 March 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 report.

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 report 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 report 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 report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

London

29 March 2010