

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE  
PUBLIC LIMITED COMPANY)**

**Registered in England - No. 1419**

**Registered office  
The Pearl Centre, Lynch Wood,  
Peterborough. PE2 6FY**

**Annual FSA Insurance Return for the year ended**

**31 December 2006**

**Appendices 9.1, 9.2, 9.3, 9.4, 9.4A, 9.5, 9.6**

**Statement of solvency - general insurance business**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
	R1	1419	GL	31	12	2006
			As at end of this financial year			As at end of the previous year
			1			2

**Capital resources**

Capital resources arising outside the long-term insurance fund	<b>11</b>	768318	960057
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	753318	945057
Capital resources available to cover general insurance business capital resources requirement (11-12)	<b>13</b>	15000	15000

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	2139	2030
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	12861	12970

**Minimum capital requirement (MCR)**

General insurance capital requirement	<b>31</b>	3224	3224
Base capital resources requirement	<b>33</b>	2139	2030
Individual minimum capital requirement	<b>34</b>	3224	3224
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	3224	3224
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	13388	13388
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	12582	12582

**Capital resources requirement (CRR)**

Capital resources requirement	<b>41</b>	3224	3224
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	<b>42</b>	11776	11776

**Contingent liabilities**

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

Form 1

Name of insurer **PEARL ASSURANCE LIMITED**

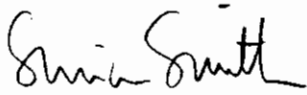
Global business

Financial year ended **31 December 2006**



**J S Moss**

**Managing Director**



**J S B Smith**

**Director**



**J R Cusins**

**Director**

Date **28 March 2007**

**Statement of solvency - long-term insurance business**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Adjusted solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
			R2	1419	GL	
			As at end of this financial year			As at end of the previous year
			1			2

**Capital resources**

Capital resources arising within the long-term insurance fund	11	1708817	1257226
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	753318	945057
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2462135	2202283

**Guarantee fund**

Guarantee fund requirement	21	393241	439918
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	2068261	1762365

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	466979	514978
Resilience capital requirement	32		352457
Base capital resources requirement	33	2139	2030
Individual minimum capital requirement	34	466979	867435
Capital requirements of regulated related undertakings	35	239721	295897
Minimum capital requirement (34+35)	36	706700	1163332
Excess (deficiency) of available capital resources to cover 50% of MCR	37	2088651	1497677
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1932110	1329784

**Enhanced capital requirement**

With-profits insurance capital component	39	1034384	450737
Enhanced capital requirement	40	1741084	1614069

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	1741084	1614069
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	721051	588214

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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**Components of capital resources**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		342109	342109	342109
Profit and loss account and other reserves	<b>12</b>	22526	796920	819446	934217
Share premium account	<b>13</b>		40716	40716	40716
Positive valuation differences	<b>14</b>		1157520	1157520	813528
Fund for future appropriations	<b>15</b>		345294	345294	269335
Core tier one capital in related undertakings	<b>16</b>		(166914)	(166914)	(166375)
Core tier one capital (sum of 11 to 16)	<b>19</b>	22526	2515645	2538171	2233530

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>	22526	2515645	2538171	2233530
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>	7526		7526	5264
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>		73644	73644	133923
Deductions from tier one (32 to 36)	<b>37</b>	7526	73644	81170	139187
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	15000	2442001	2457001	2094343

## Components of capital resources

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1419	GL	31	12	2006	£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			32766	32766		129902
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>			32766	32766		129902

Fixed term preference shares	51						
Other tier two instruments	52						
Lower tier two capital in related undertakings	53			59930	59930		60489
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>			59930	59930		60489

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>			92696	92696		190391
Excess tier two capital	62						
Further excess lower tier two capital	63						
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>			92696	92696		190391

## Components of capital resources

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>	15000	2534697	2549697	2284734	
Inadmissible assets other than intangibles and own shares	<b>73</b>		3866	3866	3018	
Assets in excess of market risk and counterparty limits	<b>74</b>		68696	68696	64433	
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>	15000	2462135	2477135	2217283	

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

Available capital resources for guarantee fund requirement	<b>81</b>	15000	2461502	2476502	2217283	
Available capital resources for 50% MCR requirement	<b>82</b>	15000	2442001	2457001	2094343	
Available capital resources for 75% MCR requirement	<b>83</b>	15000	2462135	2477135	2217283	

**Financial engineering adjustments**

Implicit items	<b>91</b>					
Financial reinsurance - ceded	<b>92</b>					
Financial reinsurance - accepted	<b>93</b>		22	22	22	
Outstanding contingent loans	<b>94</b>					
Any other charges on future profits	<b>95</b>					
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>		(22)	(22)	(22)	

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

General insurance business

		Company registration number	GL/UK/CM	day month year			Units
R11	1419	GL	31	12	2006	£000	
			This financial year 1			Previous year 2	
Gross premiums written		11	(5)			25	
Premiums taxes and levies (included in line 11)		12					
Premiums written net of taxes and levies (11-12)		13	(5)			25	
Premiums for classes 11, 12 or 13 (included in line 13)		14					
Premiums for "actuarial health insurance" (included in line 13)		15					
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>		16	(5)			25	
Gross premiums earned		21	(5)			25	
Premium taxes and levies (included in line 21)		22					
Premiums earned net of taxes and levies (21-22)		23	(5)			25	
Premiums for classes 11, 12 or 13 (included in line 23)		24					
Premiums for "actuarial health insurance" (included in line 23)		25					
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>		26	(5)			25	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>		30	(5)			25	
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>		31					
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	(1)			5	
	Excess (if any) over 53.1M EURO x 0.02	33					
<b>Sub-total J (32-33)</b>		34	(1)			5	
Claims paid in period of 3 financial years		41	67692			92290	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	174476			198096	
	For insurance business accounted for on an accident year basis	43	41706			37661	
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44	244553			248491	
	For insurance business accounted for on an accident year basis	45	44202			69975	
<b>Sub-total C (41+42+43-44-45)</b>		46	(4881)			9581	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	(2055)			(54784)	
<b>Sub-total D (46-47)</b>		48	(2826)			64365	
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)</b>		49	0.58			1.00	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>		50	(1)			5	
Provision for claims outstanding (before discounting and net of reinsurance)		51	31335			26966	
<b>Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)</b>		52	3224			3224	
<b>Greater of lines 50 and 52</b>		53	3224			3224	



**Calculation of long term insurance capital requirement - premiums amount and brought forward amount**

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	1419	GL	31	12	2006	£000
				This financial year		Previous year	
				1		2	
Gross premiums receivable			11	1763		1982	
Premiums taxes and levies (included in line 11)			12				
Premiums receivable net of taxes and levies (11-12)			13	1763		1982	
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15	1712		1923	
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16	621		700	
Gross premiums earned			21	1769		1993	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23	1769		1993	
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25	1718		1932	
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26	623		705	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30	623		705	
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32	112		127	
	Excess (if any) over 53.1M EURO x 0.02		33				
<b>Sub-total J (32-33)</b>			34	112		127	
Claims paid in period of 3 financial years			41	1871		1836	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43	2799		2880	
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45	2646		2721	
<b>Sub-total C (41+42+43-44-45)</b>			46	2024		1995	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	1915		1933	
<b>Sub-total D (46-47)</b>			48	109		62	
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more,50% or, if less, 100%)</b>			49	0.50		0.50	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50	56		63	
Provision for claims outstanding (before discounting and net of reinsurance)			51				
<b>Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)</b>			52	93		93	
<b>Greater of lines 50 and 52</b>			53	93		93	

### Calculation of general insurance capital requirement - claims amount and result

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2006	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	67692			92290
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	174476			198096
	For insurance business accounted for on an accident year basis			23	41706			37661
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	244553			248491
	For insurance business accounted for on an accident year basis			25	44202			69975
Claims incurred in reference period (21+22+23-24-25)				26	(4881)			9581
Claims incurred for classes 11, 12 or 13 (included in 26)				27	8100			(7367)
Claims incurred for "actuarial health insurance" (included in 26)				28				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29	(831)			5897
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31	(277)			1966
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	(72)			511
	Excess (if any) over 37.2M EURO x 0.03			33				
<b>Sub-total G (32-33)</b>				39	(72)			511
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41	(42)			511
Higher of premiums amount and brought forward amount (11.53)				42	3224			3224
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	3224			3224

**Calculation of long term insurance capital requirement - claims amount and result**

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2006	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R			11				36	36
Claims paid in reference period			21				1871	1836
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22					
	For insurance business accounted for on an accident year basis		23				2799	2880
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24					
	For insurance business accounted for on an accident year basis		25				2646	2721
Claims incurred in reference period (21+22+23-24-25)			26				2024	1995
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28				1915	1933
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>			29				747	706
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>			31				249	235
Division of sub-total F (gross adjusted claims amount)	x 0.26		32				65	61
	Excess (if any) over 37.2M EURO x 0.03		33					
<b>Sub-total G (32-33)</b>			39				65	61
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>			41				32	31
Higher of premiums amount and brought forward amount (11.53)			42				93	93
<b>General insurance capital requirement (higher of lines 41 and 42)</b>			43				93	93

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		103161
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	11151	375321
	Debts and loans	<b>26</b>	78238	76158
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>		3
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	16974	4379
Rights under derivative contracts	<b>44</b>	2961	
Fixed interest securities	Approved	<b>45</b>	55852
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	45748
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>	31763	31763
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	93541
	More than one month withdrawal	<b>55</b>	180000
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>	53	53
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**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	1419	GL	31	12	2006	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	60		
Claims outstanding	61	184847	208792
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	11	246
	Ceded	75		
Dependants	due in 12 months or less	76	576	(921)
	due in more than 12 months	77		
Other	due in 12 months or less	78	46506	26148
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	57611	12516
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6983	8635
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	78	97

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	804888	1221492
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**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**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	1419	GL	31	12	2006	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	804888	1221492
Assets in excess of market and counterparty limits	92	59019	60612
Capital resources requirement deduction of regulated related undertakings	93	239721	295896
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94	147862	109907
Inadmissible assets of regulated related insurance undertakings	95	1820	1889
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(1270)	
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 100)	101	1252040	1689796
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	4634	80221

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2006	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			126825	109579

**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			11348	6298
	Debts and loans	26			80000	80000
Other group undertakings	Shares	27			40253	138575
	Debts and loans	28			55000	61081
Participating interests	Shares	29				
	Debts and loans	30				

**Other financial investments**

Equity shares		41			2250267	2307189
Other shares and other variable yield participations		42				
Holdings in collective investment schemes		43			1798950	1424918
Rights under derivative contracts		44			175522	181927
Fixed interest securities	Approved	45			4454775	6032081
	Other	46			2837480	2620268
Variable interest securities	Approved	47			76977	7626
	Other	48			808667	575826
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			11412	12392
Other loans		53			47073	9038
Bank and approved credit & financial institution deposits	One month or less withdrawal	54			8996	10428
	More than one month withdrawal	55			30000	41397
Other financial investments		56				
Deposits with ceding undertakings		57			38723	42512
Assets held to match linked liabilities	Index linked	58			74522	89805
	Property linked	59			35679	35079

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	7012	7520
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	3	2
	Ceded	<b>75</b>	244	
Dependants	due in 12 months or less	<b>76</b>	16397	23575
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	24798	28671
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	75804	70913
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	126115	140906
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	21758	24745

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	13234600	14082351
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**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2006	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	<b>91</b>	13234600	14082351
Assets in excess of market and counterparty limits	<b>92</b>	9677	3821
Capital resources requirement deduction of regulated related undertakings	<b>93</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>94</b>		
Inadmissible assets of regulated related insurance undertakings	<b>95</b>		
Book value of related ancillary services undertakings	<b>96</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>97</b>		1130
Deferred acquisition costs excluded from line 89	<b>98</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>99</b>	10318	19653
Other asset adjustments (may be negative)	<b>100</b>	(15270)	
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 100)	<b>101</b>	13239325	14106955
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>102</b>	137465	146310

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **90:10**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2006	£000	13
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			126825	109579

**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			11348	6298
	Debts and loans	26				
Other group undertakings	Shares	27			40253	138575
	Debts and loans	28				
Participating interests	Shares	29				
	Debts and loans	30				

**Other financial investments**

Equity shares	41		2250267		2307189
Other shares and other variable yield participations	42				
Holdings in collective investment schemes	43		1745631		1375593
Rights under derivative contracts	44		175522		180914
Fixed interest securities	Approved	45	3195474		4142288
	Other	46	1682367		1509330
Variable interest securities	Approved	47	63954		2572
	Other	48	473383		530519
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		11412		12392
Other loans	53		47073		9038
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	8996		8421
	More than one month withdrawal	55	25467		36954
Other financial investments	56				
Deposits with ceding undertakings	57		38723		42512
Assets held to match linked liabilities	Index linked	58			
	Property linked	59	35679		35079

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2006	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	6697	7204
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	3	2
	Ceded	75		
Dependants	due in 12 months or less	76	5152	34065
	due in more than 12 months	77		
Other	due in 12 months or less	78	48792	27771
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	23075	66346
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	76134	79503
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	13758	18169

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	10105985	10680313
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**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2006	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	10105985	10680313
Assets in excess of market and counterparty limits	92		225
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		747
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	9899	
Other asset adjustments (may be negative)	100	(23891)	
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 100)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	19480	15720

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 BLAGAB**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	<b>R13</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>11</b>
							<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
							<b>1</b>	<b>2</b>
Land and buildings				<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>	80000	80000
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>	55000	61081
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	53319	44228	
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	24785	78399
	Other	<b>46</b>	29882	16791
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		2007
	More than one month withdrawal	<b>55</b>	4533	2263
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>11</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	244	
Dependants	due in 12 months or less	<b>76</b>	11245	3592
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	6369	775
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	260	2263
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	3459	7750
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	1836	1421

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	270932	300570
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**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 BLAGAB**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1419	GL	31	12	2006	£000	11
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	270932	300570
Assets in excess of market and counterparty limits	92	9677	3596
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		383
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	419	
Other asset adjustments (may be negative)	100	(17057)	
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 100)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	164896	144672

**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 PENSIONS**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1419	GL	31	12	2006	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		5097	
Rights under derivative contracts	44		1013	
Fixed interest securities	Approved	45	1234516	1811394
	Other	46	1125231	1094147
Variable interest securities	Approved	47	13023	5054
	Other	48	335284	45307
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		2180
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	74522	89805
	Property linked	59		



**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2006	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	315	316
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		(14082)
	due in more than 12 months	77		
Other	due in 12 months or less	78	7852	125
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	52469	2304
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	46522	53653
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	6164	5155

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	2895898	3101468
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**Analysis of admissible assets**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2006	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	2895898	3101468
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(12537)	
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 100)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	2716	(14082)

**Long term insurance business liabilities and margins**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **Summary**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	11211729	12357267	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	190803	274147	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	11402532	12631414	
Claims outstanding	Gross	<b>15</b>	67224	68470
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	67224	68470
Provisions	Taxation	<b>21</b>	70130	61443
	Other risks and charges	<b>22</b>	30561	23865
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	565	765
	Reinsurance accepted	<b>32</b>	17341	21902
	Reinsurance ceded	<b>33</b>	186	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>	95	95
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		44121
	Other	<b>38</b>	126485	111486
Accruals and deferred income	<b>39</b>	1467	1789	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	314054	333936	
Excess of the value of net admissible assets	<b>51</b>	1518015	1117001	
Total liabilities and margins	<b>59</b>	13234601	14082351	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	19706	10928
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	35679	35079

Total liabilities (11+12+49)	<b>71</b>	11525783	12691203
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	10318	19653
Other adjustments to liabilities (may be negative)	<b>74</b>	1140204	813528
Capital and reserves and fund for future appropriations	<b>75</b>	563020	1003806
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	13239325	14528190

**Long term insurance business liabilities and margins**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **90:10**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	8278427	9179486	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	37482	79000	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	8315909	9258486	
Claims outstanding	Gross	<b>15</b>	84225	63542
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	64225	63542
Provisions	Taxation	<b>21</b>	65100	61443
	Other risks and charges	<b>22</b>	30561	23865
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	561	758
	Reinsurance accepted	<b>32</b>	10718	21902
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>	95	95
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	5098	44121
	Other	<b>38</b>	115236	109008
Accruals and deferred income	<b>39</b>	1467	1092	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	293061	325826	
Excess of the value of net admissible assets	<b>51</b>	1497015	1096001	
Total liabilities and margins	<b>59</b>	10105985	10680313	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	16415	6999
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	35679	35079

Total liabilities (11+12+49)	<b>71</b>	8571488	9505312
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **0:100 BLAGAB**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	62940	106824	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	148321	154992	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	211261	261816	
Claims outstanding	Gross	<b>15</b>	2203	2706
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	2203	2706
Provisions	Taxation	<b>21</b>	3830	
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	4	7
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	186	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	32449	14344
Accruals and deferred income	<b>39</b>		697	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	38672	17754	
Excess of the value of net admissible assets	<b>51</b>	21000	21000	
Total liabilities and margins	<b>59</b>	270933	300570	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	30468	3385
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	101612	124578
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **0:100 PENSIONS**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	2870362	3070957	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5000	40155	
Long term insurance business fund carried forward (11 to 13)	14	2875362	3111112	
Claims outstanding	Gross	15	796	2222
	Reinsurers' share	16		
	Net (15-16)	17	796	2222
Provisions	Taxation	21	1200	
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32	6623	
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	11917	(11866)
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	20536	(9644)	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	2895898	3101468	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	5365	544
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	2890898	3061313
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

**Liabilities (other than long term insurance business)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	1419	GL	31	12	2006	£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	216182	235758
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	216182	235758

**Provisions and creditors**

Provisions	Taxation	21	
	Other risks and charges	22	500
Deposits received from reinsurers	31		
Creditors	Direct insurance business	41	
	Reinsurance accepted	42	948
	Reinsurance ceded	43	
Debenture loans	Secured	44	
	Unsecured	45	389602
Amounts owed to credit institutions	46		
Creditors	Taxation	47	24737
	Declared dividend	48	
	Other	49	26898
Accruals and deferred income	51	7027	6419
Total (19 to 51)	59	276292	691254
Provision for "reasonably foreseeable adverse variations"	61		
Cumulative preference share capital	62		
Subordinated loan capital	63		
Total (59 to 63)	69	276292	691254

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	1332	416238
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82	7526	5264
Other adjustments (may be negative)	83	(1270)	
Capital and reserves	84	984544	1003806
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	1252040	1689796

**Profit and loss account (non-technical account)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2006	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20	11	1194	4662				
	Equalisation provisions	12		2283				
Transfer from the long term insurance business revenue account		13	164448	66000				
Investment income	Income	14	30495	70017				
	Value re-adjustments on investments	15	144964	399353				
	Gains on the realisation of investments	16		2097				
Investment charges	Investment management charges, including interest	17	21	277				
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19	106015					
Allocated investment return transferred to the general insurance business technical account		20	671	3927				
Other income and charges (particulars to be specified by way of supplementary note)		21	653	(16845)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	235047	523363				
Tax on profit or loss on ordinary activities		31	6139	(157)				
Profit or loss on ordinary activities after tax (29-31)		39	228908	523520				
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	228908	523520				
Dividends (paid or declared)		51	244000	70000				
Profit or loss retained for the financial year (49-51)		59	(15092)	453520				



**Analysis of derivative contracts**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2006	£000	1
			As at the end of this financial year			As at the end of the previous year			
Derivative contracts			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35		2961		338			
Adjustment for variation margin		41							
Total (11 to 41)		49		2961		338			

**Analysis of derivative contracts**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2006	£000	10
<b>Derivative contracts</b>		As at the end of this financial year				As at the end of the previous year			
		Assets <b>1</b>		Liabilities <b>2</b>		Assets <b>3</b>		Liabilities <b>4</b>	
Futures contracts	Fixed-interest securities	<b>11</b>	4717	1360					
	Equity shares	<b>12</b>	601	919	140				
	Land	<b>13</b>							
	Currencies	<b>14</b>	1576	5489	1362		10560		
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>	204	332	8		409		
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>			845				
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>	173742	48611	179712		7787		
Adjustment for variation margin		<b>41</b>	(5318)	(2279)	(140)				
Total (11 to 41)		<b>49</b>	175522	54432	181927		18756		

**Analysis of derivative contracts**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **90:10**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R17</b>		<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>13</b>
		As at the end of this financial year			As at the end of the previous year			
		Assets 1	Liabilities 2	Assets 3	Liabilities 4			
<b>Derivative contracts</b>								
Futures contracts	Fixed-interest securities	11	4717	1360				
	Equity shares	12	601	919	140			
	Land	13						
	Currencies	14	1576	5489	1362	10560		
	Other	15						
Options	Fixed-interest securities	21						
	Equity shares	22	204	332	8	409		
	Land	23						
	Currencies	24						
	Other	25						
Contracts for differences	Fixed-interest securities	31						
	Equity shares	32			845			
	Land	33						
	Currencies	34						
	Other	35	173742	43089	178699	7787		
Adjustment for variation margin		41	(5318)	(2279)	(140)			
Total (11 to 41)		49	175522	48910	180914	18756		

**Analysis of derivative contracts**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **0:100 PENSIONS**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>12</b>
		As at the end of this financial year				As at the end of the previous year			
		Assets		Liabilities		Assets		Liabilities	
		1		2		3		4	
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	<b>11</b>							
	Equity shares	<b>12</b>							
	Land	<b>13</b>							
	Currencies	<b>14</b>							
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>							
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>							
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>				5522	1013		
Adjustment for variation margin		<b>41</b>							
Total (11 to 41)		<b>49</b>				5522	1013		

**With-profits insurance capital component for the fund**Name of insurer **PEARL ASSURANCE LIMITED**With-profits fund **90:10**Financial year ended **31 December 2006**Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	10105985	10680313
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	224581	240063
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	9023	10191
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		25083
	Total (11+12-(13+14+15))	<b>19</b>	9872381	10404976
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	8053847	8939423
	Regulatory current liabilities of the fund	<b>22</b>	293061	325826
	Total (21+22)	<b>29</b>	8346908	9265249
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	325386	373617
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		315374
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	8672294	9954240
Regulatory excess capital (19-39)		<b>49</b>	1200087	450736

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	1200087	450736
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	165703	
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	1034384	450736

**Realistic balance sheet**

Name of insurer **PEARL ASSURANCE LIMITED**  
 With-profits fund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

Regulatory value of assets	11	9872382	10404976
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	613	321
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	23235	45540
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	9896230	10450837
Support arrangement assets	27		
Assets available to the fund (26+27)	29	9896230	10450837

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	7649112	8247780	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32	163249	151545
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	441734	355637
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	43705	47519
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	1929	29330
	Future costs of contractual guarantees (other than financial options)	41	267899	314291
	Future costs of non-contractual commitments	42	78750	96895
	Future costs of financial options	43	365723	337889
	Future costs of smoothing (possibly negative)	44	17312	52189
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	665024	707077
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1954057	1938674	
Realistic current liabilities of the fund	51	293061	264383	
Realistic value of liabilities of fund (31+49+51)	59	9896230	10450837	

**Realistic balance sheet**

Name of insurer **PEARL ASSURANCE LIMITED**  
 With-profits fund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	9896230	10450837
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	9896230	10450837
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	579131	588143
Additional amount potentially available for inclusion in line 63	<b>82</b>	28350	84000

## General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
				R20A	1419	GL	
				Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year	
				Reported	incurred but not reported		
				1	2	3	4
1	Total business	1		(5)	34015	180206	
2	Total primary (direct) and facultative business	2			10388	31319	
3	Total treaty reinsurance accepted business	3		(5)	23627	148887	
110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4					
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5			3889	749	
160	Primary (direct) and facultative household and domestic all risks	6			1350	1674	
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7				103	
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8			1035	574	
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9			149	121	
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10			3961	28098	
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11					
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12					
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13					
350	Total primary (direct) and facultative goods in transit	14			4		
400	Miscellaneous primary (direct) and facultative business	15					
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16		(5)	21608	146544	
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17			2019	2343	
700	Miscellaneous treaty reinsurance accepted business	18					
	Total (lines 4 to 18)	20		(5)	34015	180206	



## General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2006
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year	
			Reported	Incurring but not reported			
		1	2	3	4		

## Primary (direct) and facultative personal lines business

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23				
114	Personal accident or sickness	24				
121	Private motor - comprehensive	25		1264	236	
122	Private motor - non-comprehensive	26		2625	513	
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28		1350	1674	
181	Assistance	29				
182	Creditor	30				
183	Extended warranty	31				
184	Legal expenses	32				
185	Mortgage indemnity	33				
186	Pet insurance	34				
187	Other personal financial loss	35			103	

## Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42		1035	574	
223	Motor other	43				
261	Commercial property	44		119	121	
262	Consequential loss	45		30		
263	Contractors or engineering all risks	46				
271	Employers liability	47		2562	21392	
272	Professional indemnity	48				
273	Public and products liability	49		1399	6706	
274	Mixed commercial package	50				
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

## Primary (direct) and facultative aviation

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

## General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2006
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year		
		1	Reported	Incurred but not reported			4
			2	3			

## Primary (direct) and facultative marine and transport

341	Marine liability	64					
342	Marine hull	65					
343	Energy (on and off-shore)	66					
344	Protection and indemnity	67					
345	Freight demurrage and defence	68					
346	War risks	69					
347	Yacht	70					
350	Total primary (direct) and facultative goods in transit (equals line 14)	71		4			

## Primary (direct) and facultative miscellaneous

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

510	Non-proportional accident and health	81		1	1		
520	Non-proportional motor	82		287	216		
530	Non-proportional aviation	83					
540	Non-proportional marine	84					
550	Non-proportional transport	85		3	2		
560	Non-proportional property	86		40	31		
570	Non-proportional liability (non-motor)	87	(5)	21277	146294		
580	Non-proportional financial lines	88					
590	Non-proportional aggregate cover	89					

## Proportional treaty

610	Proportional accident and health	91					
620	Proportional motor	92					
630	Proportional aviation	93					
640	Proportional marine	94		1929	2275		
650	Proportional transport	95					
660	Proportional property	96		27	20		
670	Proportional liability (non-motor)	97		43	33		
680	Proportional financial lines	98		20	15		
690	Proportional aggregate cover	99					

## Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101					
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	<b>Total (lines 21 to 101)</b>	<b>111</b>	<b>(5)</b>	<b>34015</b>	<b>180206</b>		
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**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total business**

	Company registration number	GL/UK/CM	day	month	year	Units	Category number	
	<b>R20</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>001</b>
<b>Items to be shown net of reinsurance</b>			<b>This financial year</b>			<b>Previous year</b>		
			<b>1</b>			<b>2</b>		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11					13	
	Claims incurred (22.17.4)	12						
	Claims management costs (22.18.4)	13						
	Adjustment for discounting (22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)	15						
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses (22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)	19					13	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21					6	
	Claims incurred (22.13.4)	22				1341	17069	
	Claims management costs (22.14.4)	23				252	220	
	Adjustment for discounting (22.51.4)	24				2262	5264	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses (22.41.4)	26				155	(10)	
	Balance (21-22-23+24+25-26)	29				514	(12009)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				9	12731	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32						
	Total	39				9	12731	
Balance of all years' underwriting (19+29+39)		49				523	735	
Allocated investment income		51				671	3927	
Transfer to non-technical account (49+51)		59				1194	4662	

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>002</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11					13	
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19					13	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21					6	
	Claims incurred	(22.13.4)	22				1341	17069	
	Claims management costs	(22.14.4)	23				252	220	
	Adjustment for discounting	(22.51.4)	24				2262	5264	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26				155	(10)	
	Balance (21-22-23+24+25-26)		29				514	(12009)	
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31					11364	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39					11364	
Balance of all years' underwriting (19+29+39)			49				514	(632)	
Allocated investment income			51				612	3331	
Transfer to non-technical account (49+51)			59				1126	2699	

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total treaty reinsurance accepted business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>003</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22						
	Claims management costs	(22.14.4)	23						
	Adjustment for discounting	(22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31				9	1387	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				9	1367	
Balance of all years' underwriting (19+29+39)			49				9	1367	
Allocated investment income			51				59	596	
Transfer to non-technical account (49+51)			59				68	1963	

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>270</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11						13	
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						13	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21						6	
	Claims incurred (22.13.4)	22				1395		12950	
	Claims management costs (22.14.4)	23				200		165	
	Adjustment for discounting (22.51.4)	24				2262		3725	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26				68			
	Balance (21-22-23+24+25-26)	29				599		(9384)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)		49				599		(9371)	
Allocated investment income		51				571			
Transfer to non-technical account (49+51)		59				1170		(9371)	

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number
		<b>R20</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>409</b>
<b>Items to be shown net of reinsurance</b>				<b>This financial year</b>			<b>Previous year</b>	
				<b>1</b>			<b>2</b>	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11					
	Claims incurred (22.17.4)		12					
	Claims management costs (22.18.4)		13					
	Adjustment for discounting (22.52.4)		14					
	Increase in provision for unexpired risks (22.19.4)		15					
	Other technical income or charges (particulars to be specified by way of supplementary note)		16					
	Net operating expenses (22.42.4)		17					
	Balance of year's underwriting (11-12-13+14-15+16-17)		19					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21					
	Claims incurred (22.13.4)		22			(54)		4119
	Claims management costs (22.14.4)		23			52		55
	Adjustment for discounting (22.51.4)		24					1539
	Other technical income or charges (particulars to be specified by way of supplementary note)		25					
	Net operating expenses (22.41.4)		26			87		(10)
	Balance (21-22-23+24+25-26)		29			(85)		(2625)
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31					11364
	Other technical income or charges (particulars to be specified by way of supplementary note)		32					
	Total		39					11364
Balance of all years' underwriting (19+29+39)			49			(85)		8739
Allocated investment income			51			41		3331
Transfer to non-technical account (49+51)			59			(44)		12070

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>500</b>
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				33	(7)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				33	(7)	
Balance of all years' underwriting (19+29+39)			49				33	(7)	
Allocated investment income			51				56		
Transfer to non-technical account (49+51)			59				89	(7)	



**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Balance of all treaty reinsurance accepted business**

	Company registration number	GL/UK/CM	day	month	year	Units	Category number	
	<b>R20</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>709</b>
Items to be shown net of reinsurance			This financial year			Previous year		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11						
	Claims incurred (22.17.4)	12						
	Claims management costs (22.18.4)	13						
	Adjustment for discounting (22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)	15						
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses (22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21						
	Claims incurred (22.13.4)	22						
	Claims management costs (22.14.4)	23						
	Adjustment for discounting (22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses (22.41.4)	26						
	Balance (21-22-23+24+25-26)	29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				(24)	1374	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32						
	Total	39				(24)	1374	
Balance of all years' underwriting (19+29+39)		49				(24)	1374	
Allocated investment income		51				3	596	
Transfer to non-technical account (49+51)		59				(21)	1970	

**General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions**Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2006	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	37658		(668)		41706	3380	
	Reinsurers' share	12	14028		2763		13304	2039	
	Net (11-12)	13	23630		(3431)		28402	1341	
	Claims management costs	14			252			252	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			155			155	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			155			155	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	5264				7526	2262	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39	5264				7526	2262	
Split of line 29	Prior financial years	41				155		155	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	5264				7526	2262	
	Incidents occurring in this financial year	52							

**General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions**Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2006	£000	002
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		37658		(668)	41706	3380	
	Reinsurers' share	12		14028		2763	13304	2039	
	Net (11-12)	13		23630		(3431)	28402	1341	
	Claims management costs	14				252		252	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23				155		155	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29				155		155	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		5264			7526	2262	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39		5264			7526	2262	
Split of line 29	Prior financial years	41				155		155	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		5264			7526	2262	
	Incidents occurring in this financial year	52							

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

## Total primary (direct) and facultative commercial lines liability business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2006	£000	270
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		26092		(2714)	32058	3252	
	Reinsurers' share	12		2641		681	3817	1857	
	Net (11-12)	13		23451		(3395)	28241	1395	
	Claims management costs	14				200		200	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23				68		68	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29				68		68	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		5264			7526	2262	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39		5264			7526	2262	
Split of line 29	Prior financial years	41				68		68	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		5264			7526	2262	
	Incidents occurring in this financial year	52							

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2006

## Balance of all primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2006	£000	409
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2			Amount carried forward to next financial year 3	Amount attributable to this financial year 4
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		11566	2046			9648	128
	Reinsurers' share	12		11387	2082			9487	182
	Net (11-12)	13		179	(36)			161	(54)
	Claims management costs	14			52				52
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			87				87
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			87				87
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41			87				87
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							



**General insurance business (accident year accounting) : Analysis of net claims and premiums**

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

**Total primary (direct) and facultative business**

		Company registration number		GL/UK/CM		day month year			Units		Category number			
		R23	1419	GL	31	12	2006	£000	002					
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
Month	Year					Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
		1	2	3	4	5	6	7	8	9	10	11	12	13
12	2006	11												
12	2005	12										13		
12	2004	13										305		
12	2003	14										250		
12	2002	15										13485		
12	2001	16	8379	193								(5809)	(100.0)	(144.2)
12	2000	17	32776	29949	17039							96090	(43.1)	51.8
12	1999	18	30799	29998	14160							89868	(52.8)	50.0
12	1998	19	30458	27014	19268							83787	(28.7)	59.3
12	1997	20	27821	24514	15786							84556	(35.6)	51.6
Prior accident years		21			(3431)	2407	25995	2393	21237	1341	7526			
Reconciliation		22												
Total (11 to 22)		29			(3431)	2407	25995	2393	21237	1341	7526			

## General insurance business (accident year accounting) : Analysis of net claims and premiums

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

## Total primary (direct) and facultative commercial lines liability business

		Company registration number	GL/UK/CM	day month year			Units	Category number							
		R23	1419	GL	31	12	2006	£000	270						
Accident year ended	Month	Year	Claims paid (net) during the accident year	Claims outstanding (net) es at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
		1	2	3	4	5	6	7	8	9	10	11	12	13	
12	2006	11													
12	2005	12											13		
12	2004	13											42		
12	2003	14													
12	2002	15											506		
12	2001	16	(849)										(9890)	8.6	
12	2000	17	133	3795	269								3658	(92.9) 11.0	
12	1999	18	100	4842	807								3356	(83.3) 27.0	
12	1998	19	118	3362	1442								3028	(57.1) 51.5	
12	1997	20	144	2146	813								3064	(62.1) 31.2	
Prior accident years		21				(3395)	2399	25842	2369	21082	1395	7526			
Reconciliation		22													
Total (11 to 22)		29				(3395)	2399	25842	2369	21082	1395	7526			



**General insurance business (accident year accounting) : Analysis of net claims and premiums**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Balance of all primary (direct) and facultative business**

Accident year ended		Company registration number	GL/UK/CM	day month year			Units	Category number						
Month	Year			R23	1419	GL			31 12 2006	£000	409			
		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward	Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %	
		1	2	3	4	Reported (net)	Incurring but not reported (net)	Reported (net)	Incurring but not reported (net)	9	10	11	12	13
12	2006	11												
12	2005	12												
12	2004	13									263			
12	2003	14									250			
12	2002	15									12979			
12	2001	16	9228	193							4081	(100.0)	226.1	
12	2000	17	32643	26154	16770						92432	(35.9)	53.5	
12	1999	18	30699	25156	13353						86512	(46.9)	50.9	
12	1998	19	30340	23652	17826						80759	(24.6)	59.6	
12	1997	20	27677	22368	14973						81492	(33.1)	52.3	
Prior accident years		21			(36)	8	153	24	155	(54)				
Reconciliation		22												
Total (11 to 22)		29			(36)	8	153	24	155	(54)				

**General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total business**Company registration number  
GL/UK/CM  
day month year  
Units  
Category number

Underwriting year ended		Prior underwriting years	R24		1419		GL		31 12 2006			£000		001		Total all previous columns										
			MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM		YY	99	99							
		29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	99	99	
Premiums written	Gross amount	11	(4)																						(4)	
	Reinsurers' share	12	1																						1	
	Net (11-12)	19	(5)																						(5)	
Claims paid	Gross amount	21	1021																						1021	
	Reinsurers' share	22	812																						812	
	Net (21-22)	29	209																						209	
Claims management costs		39	138																						138	
Net operating expenses	Commissions	41																								
	Other acquisition expenses	42																								
	Administrative expenses	43	23																						23	
	Reinsurers' commissions and profit participations	44																								
	Payable net (41+42+43-44)	49	23																						23	
Technical provisions	Brought forward	Undiscounted	51	3317																					3317	
		Adjustment for discounting	52																							
	Carried forward	Undiscounted	53	2933																						2933
		Adjustment for discounting	54																							
	Increase (decrease) in the financial year (53-54-51+52)		59	(384)																						(384)
Balance on each underwriting year (19-29-39-49-59)		69	9																						9	

**General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total treaty reinsurance accepted business**Company  
registration  
numberGL/  
UK/  
CM

day month year

Units

Category number

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
		29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	99	99
Premiums written	Gross amount	11	(4)																					(4)	
	Reinsurers' share	12	1																					1	
	Net (11-12)	19	(5)																					(5)	
Claims paid	Gross amount	21	1021																					1021	
	Reinsurers' share	22	812																					812	
	Net (21-22)	29	209																					209	
Claims management costs		39	138																					138	
Net operating expenses	Commissions	41																							
	Other acquisition expenses	42																							
	Administrative expenses	43	23																					23	
	Reinsurers' commissions and profit participations	44																							
	Payable net (41+42+43-44)	49	23																					23	
Technical provisions	Brought forward	Undiscounted	51	3317																				3317	
		Adjustment for discounting	52																						
	Carried forward	Undiscounted	53	2933																					2933
		Adjustment for discounting	54																						
	Increase (decrease) in the financial year (53-54-51+52)		59	(384)																					(384)
Balance on each underwriting year (19-29-39-49-59)		69	9																					9	

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

**Total non-proportional treaty reinsurance business accepted**

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

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		R24		1419		GL		31 12 2006			£000		500		Total all previous columns
		29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	99	99	99	99	99	99	99	99	99	99				
Premiums written	Gross amount	11	(5)																															(5)			
	Reinsurers' share	12	0																															0			
	Net (11-12)	19	(5)																															(5)			
Claims paid	Gross amount	21	738																															738			
	Reinsurers' share	22	565																															565			
	Net (21-22)	29	173																															173			
Claims management costs		39	116																																118		
Net operating expenses	Commissions	41																																			
	Other acquisition expenses	42																																			
	Administrative expenses	43	(8)																															(8)			
	Reinsurers' commissions and profit participations	44																																			
	Payable net (41+42+43-44)	49	(8)																																(8)		
Technical provisions	Brought forward	Undiscounted	51	3094																															3094		
		Adjustment for discounting	52																																		
	Carried forward	Undiscounted	53	2775																																2775	
		Adjustment for discounting	54																																		
	Increase (decrease) in the financial year (53-54-51+52)		59	(319)																															(319)		
Balance on each underwriting year (19-29-39-49-59)		69	33																																33		

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

**Balance of all treaty reinsurance accepted business**

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

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns			
		29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	99	99						
Premiums written	Gross amount	11	1																										1		
	Reinsurers' share	12	1																										1		
	Net (11-12)	19																													
Claims paid	Gross amount	21	283																										283		
	Reinsurers' share	22	247																										247		
	Net (21-22)	29	36																										36		
Claims management costs		39	22																										22		
Net operating expenses	Commissions	41																													
	Other acquisition expenses	42																													
	Administrative expenses	43	31																										31		
	Reinsurers' commissions and profit participations	44																													
	Payable net (41+42+43-44)	49	31																										31		
Technical provisions	Brought forward	Undiscounted	51	223																										223	
		Adjustment for discounting	52																												
	Carried forward	Undiscounted	53	158																											158
		Adjustment for discounting	54																												
	Increase (decrease) in the financial year (53-54-51+52)		59	(65)																										(65)	
Balance on each underwriting year (19-29-39-49-59)		69	(24)																										(24)		

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

**Total business**

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

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
			29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06
Reported claims outstanding	Gross amount	11	23627																					23627
	Reinsurers' share	12	23073																					23073
Claims incurred but not reported	Gross amount	13	148887																					148887
	Reinsurers' share	14	148470																					148470
Claims management costs		15	1962																					1962
Adjustment for discounting	Gross amount	16																						
	Reinsurers' share	17																						
	Claims management costs	18																						
Allocation to/(from) another risk category of anticipated surplus		19																						
Balance of the fund		20																						
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	2933																					2933
Provision for unearned premiums		22																						
Provision for unexpired risks		23																						
Deferred acquisition costs		24																						
Other technical provisions (particulars to be specified by way of supplementary note)		25																						
Total (21+22+23-24+25)		29	2933																					2933

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**General insurance business (underwriting year accounting) : Analysis of technical provisions**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006****Total non-proportional treaty reinsurance business accepted**

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

Underwriting year ended		Prior underwriting years	MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		Total all previous columns	
			29 29	12 97	12 98	12 99	12 00	12 01	12 02	12 03	12 04	12 05	12 06	99 99						
Reported claims outstanding	Gross amount	11	21608																	21608
	Reinsurers' share	12	21144																	21144
Claims incurred but not reported	Gross amount	13	146544																	146544
	Reinsurers' share	14	146195																	146195
Claims management costs		15	1962																	1962
Adjustment for discounting	Gross amount	16																		
	Reinsurers' share	17																		
	Claims management costs	18																		
Allocation to/(from) another risk category of anticipated surplus		19																		
Balance of the fund		20																		
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	2775																	2775
Provision for unearned premiums		22																		
Provision for unexpired risks		23																		
Deferred acquisition costs		24																		
Other technical provisions (particulars to be specified by way of supplementary note)		25																		
Total (21+22+23-24+25)		29	2775																	2775



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

 Name of insurer **PEARL ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2006**
**Balance of all treaty reinsurance accepted business**

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

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
			29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06
Reported claims outstanding	Gross amount	11	2019																					2019
	Reinsurers' share	12	1929																					1929
Claims incurred but not reported	Gross amount	13	2343																					2343
	Reinsurers' share	14	2275																					2275
Claims management costs		15																						
Adjustment for discounting	Gross amount	16																						
	Reinsurers' share	17																						
	Claims management costs	18																						
Allocation to/(from) another risk category of anticipated surplus		19																						
Balance of the fund		20																						
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	158																					158
Provision for unearned premiums		22																						
Provision for unexpired risks		23																						
Deferred acquisition costs		24																						
Other technical provisions (particulars to be specified by way of supplementary note)		25																						
Total (21+22+23-24+25)		29	158																					158

**General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses by risk category for treaty reinsurance**

Name of insurer **PEARL ASSURANCE LIMITED**

Currency **US Dollar**

Global business

Financial year ended **31 December 2006**

**Non-proportional liability (non-motor)**

Company registration number      GL/UK/CM      day month year      Monetary units      Category number      Currency code

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns			
			29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	99	99
			R28		1419		GL		31 12 2006		000		570		USD											
Premiums written	Gross amount	11	(10)																					(10)		
	Reinsurers' share	12	2																					2		
	Net (11-12)	19	(12)																					(12)		
Claims paid	Gross amount	21	1109																					1109		
	Reinsurers' share	22	1107																					1107		
	Net (21-22)	29	2																					2		
Claims management costs		39																								
Net operating expenses	Commissions	41																								
	Other acquisition expenses	42																								
	Administrative expenses	43																								
	Reinsurers' commissions and profit participations	44																								
	Payable net (41+42+43-44)	49																								
Technical provisions	Brought forward	Undiscounted	51	16																				16		
		Adjustment for discounting	52																							
	Carried forward	Undiscounted	53	8																					8	
		Adjustment for discounting	54																							
	Increase (decrease) in the financial year (53-54-51+52)		59	(8)																					(8)	
Balance on each underwriting year (19-29-39-49-59)		69	(6)																					(6)		

**General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses by risk category for treaty reinsurance**

Name of insurer **PEARL ASSURANCE LIMITED**

Currency **US Dollar**

Global business

Financial year ended **31 December 2006**

**Non-proportional liability (non-motor)**

Company registration number      GL/UK/CM      day month year      Monetary units      Category number      Currency code

Underwriting year ended		R28		1419		GL		31 12 2006		000		570		USD												
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY											
		12	85	12	86	12	87	12	88	12	89	12	90	12	91	12	92	12	93	12	94	12	95	12	96	
Premiums written	Gross amount	11	2																							
	Reinsurers' share	12	2																							
	Net (11-12)	19																								
Claims paid	Gross amount	21	1107							2																
	Reinsurers' share	22	1107																							
	Net (21-22)	29								2																
Claims management costs		39																								
Net operating expenses	Commissions	41																								
	Other acquisition expenses	42																								
	Administrative expenses	43																								
	Reinsurers' commissions and profit participations	44																								
	Payable net (41+42+43-44)	49																								
Technical provisions	Brought forward	Undiscounted	51						4	8	4															
		Adjustment for discounting	52																							
	Carried forward	Undiscounted	53						4		4															
		Adjustment for discounting	54																							
	Increase (decrease) in the financial year (53-54-51+52)		59								(8)															
Balance on each underwriting year (19-29-39-49-59)		69								6																

**General insurance business (underwriting year accounting) : Analysis of technical provisions by risk category for treaty reinsurance**Name of insurer **PEARL ASSURANCE LIMITED**Currency **US Dollar**

Global business

Financial year ended **31 December 2006****Non-proportional liability (non-motor)**

Underwriting year ended		Prior underwriting years	MM		MM		MM		MM		R29		1419		GL		day month year			Monetary units		Category number		Currency code		
			MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY
		29	29	12	97	12	98	12	99	12	00	12	01	12	02	12	03	31	12	2006	000	570	USD		Total all previous columns	
		99	99																					99	99	
Reported claims outstanding	Gross amount	11	41423																							41423
	Reinsurers' share	12	41419																							41419
Claims incurred but not reported	Gross amount	13	286385																							286385
	Reinsurers' share	14	288381																							286381
Claims management costs		15																								
Adjustment for discounting	Gross amount	16																								
	Reinsurers' share	17																								
	Claims management costs	18																								
Allocation to/(from) another risk category of anticipated surplus		19																								
Balance of the fund		20																								
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	8																							8
Provision for unearned premiums		22																								
Provision for unexpired risks		23																								
Deferred acquisition costs		24																								
Other technical provisions (particulars to be specified by way of supplementary note)		25																								
Total (21+22+23-24+25)		29	8																							8

General insurance business (underwriting year accounting) : Analysis of technical provisions by risk category for treaty reinsurance

Name of insurer **PEARL ASSURANCE LIMITED**

Currency **US Dollar**

Global business

Financial year ended **31 December 2006**

Non-proportional liability (non-motor)

Company registration number	GL/UK/CM	day month year	Monetary units	Category number	Currency code	
R29	1419	GL	31 12 2006	000	570	USD

Underwriting year ended		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY							
		12	85	12	86	12	87	12	88	12	89	12	90	12	91	12	92	12	93	12	94	12	95	12	96
Reported claims outstanding	Gross amount	11	41419						2			2													
	Reinsurers' share	12	41419																						
Claims incurred but not reported	Gross amount	13	286381						2			2													
	Reinsurers' share	14	286381																						
Claims management costs		15																							
Adjustment for discounting	Gross amount	16																							
	Reinsurers' share	17																							
	Claims management costs	18																							
Allocation to/(from) another risk category of anticipated surplus		19																							
Balance of the fund		20																							
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21							4			4													
Provision for unearned premiums		22																							
Provision for unexpired risks		23																							
Deferred acquisition costs		24																							
Other technical provisions (particulars to be specified by way of supplementary note)		25																							
Total (21+22+23-24+25)		29							4			4													

**General insurance business : Expected income and yield from admissible assets covering discounted provisions**

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**

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

											R30	1419	GL	31	12	2006	£000
Major currencies	Reporting territory code		Total admissible assets as shown on Form 13 1	Admissible assets hypothecated to cover the provision for outstanding claims being discounted 2	Expected income from assets included in column 2 3	Yield % 4	Technical provisions 5	Provision for outstanding claims being discounted		Unwind in the discount in the next financial year 8	Rates of interest at which the provision is being discounted						
								Before deduction for discounting 6	Deduction for discounting 7		Highest 9	Lowest 10	Average rate 11				
Sterling	AA	11	618203	20372	1046	5.1	23659	27899	7527	627	3.5		3.5	3.5			
		12															
		13															
		14															
		15															
		16															
		17															
		18															
		19															
		20															
Other currencies		21	1838				149										
<b>Total</b>		<b>29</b>	<b>620041</b>	<b>20372</b>			<b>23808</b>	<b>27899</b>	<b>7527</b>	<b>627</b>							

**General insurance business : Expected income and yield from admissible assets covering discounted provisions**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Company  
registration  
numberGL/  
UK/  
CM

day month year

Unite

		R30	1419	GL	31	12	2006	£000
Type of asset			Value of admissible assets as shown on Form 13 1	Admissible assets hypothecated to cover the provision for outstanding claims being discounted 2	Expected income from assets included in column 2 3			Yield % 4
Land and buildings		31						
Fixed interest securities	Approved securities	32	211941	17709			909	5.1
	Other	33						
Variable interest and variable yield securities (excluding items shown at line 36)	Approved securities	34						
	Other	35	42547					
Equity shares and holdings in collective investment schemes		36	16974	2651			136	5.1
Loans secured by mortgages		37						
All other assets	Producing income	38	284267	12			1	5.0
	Not producing income	39	64312					
Total		49	620041	20372			1046	5.1

**General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**Name of insurer **PEARL ASSURANCE LIMITED**Currency **British Pound**

Global business

Reporting Territory **United Kingdom other than home foreign**Financial year ended **31 December 2006****Employers liability**Company  
registration  
numberGL/  
UK/  
CM

day month year

Monetary  
unitsCategory  
numberCurrency  
codeReporting  
territory  
code

<b>R31</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>000</b>	<b>271</b>	<b>GBP</b>	<b>AA</b>
------------	-------------	-----------	-----------	-----------	-------------	------------	------------	------------	-----------

Accident year ended			Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %
Month	Year		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported			
			1	2	3	4	5	6	7	8	9	10	11
12	2006	<b>11</b>											
12	2005	<b>12</b>											
12	2004	<b>13</b>											
12	2003	<b>14</b>	14										
12	2002	<b>15</b>	52	6	179	92	94	16	163	45	(6)	1396	27.3
12	2001	<b>16</b>	76	9	863	177	169	53	516	116	(233)	1895	66.6
12	2000	<b>17</b>	63	2	802		70	32	70	51	(19)	1135	79.6
12	1999	<b>18</b>	62	2	1096	68	25		30	21	42	976	121.8
12	1998	<b>19</b>	54	1	580		11		13	8	(10)	872	67.8
12	1997	<b>20</b>	46		452					1	(1)	872	51.8
Prior accident years		<b>21</b>		18		(3082)	2193	21291	1751	16397	2254		
Total (11 to 21)		<b>29</b>		38		(2745)	2562	21392	2543	16639	2027		
Line 29 expressed in sterling		<b>30</b>				(2745)	2562	21392	2543	16639	2027		



**General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**Name of insurer **PEARL ASSURANCE LIMITED**Currency **British Pound**

Global business

Reporting Territory **United Kingdom other than home foreign**Financial year ended **31 December 2006****Employers liability**Company  
registration  
numberGL/  
UK/  
CM

day month year

Monetary  
unitsCategory  
numberCurrency  
codeReporting  
territory  
code

<b>R31</b>	<b>1419</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>000</b>	<b>271</b>	<b>GBP</b>	<b>AA</b>
------------	-------------	-----------	-----------	-----------	-------------	------------	------------	------------	-----------

Accident year ended		Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %
Month	Year	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported			
		1	2	3	4	5	6	7	8	9	10	11
12	1996	45		531				2		(2)	808	65.7
12	1995	50		1403	1	25	1695	93	74	1554	1000	312.4
12	1994	49		1034							1309	79.0
12	1993	53	1	457		5		6		(1)		
12	1992	58	1	422		15		18		(3)		
12	1991	70	1	1258		18		1		17		
12	1990	138	3	2638	37	26		84		(21)		
12	1989	110		2086								
12	1988	138	1	1380	5	9		12		2		
12	1987	83		730								
12	1986	262		1558	(3282)	1127	13469	1313	16323	(6322)		
12	1985	146		1138	120	666	6127			6913		
12	1984	148		709								

**General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**

Name of insurer **PEARL ASSURANCE LIMITED**

Currency **British Pound**

Global business

Reporting Territory **United Kingdom other than home foreign**

Financial year ended **31 December 2006**

**Employers liability**

Company registration number **R31** GL/UK/CM **GL** day month year **31 12 2006** Monetary units **000** Category number **271** Currency code **GBP** Reporting territory code **AA**

Accident year ended		Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %
Month	Year	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported			
		1	2	3	4	5	6	7	8	9	10	11
12	1983	152		680								
12	1982	163		848								
12	1981											
12	1980	190		748								
12	1979	2226		809								
12	1978											
12	1977		1									
12	1976											
12	1975		10		37	302		222		117		



**Long-term insurance business : Revenue account**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	226131	267796
Investment income receivable before deduction of tax	12	603158	681130
Increase (decrease) in the value of non-linked assets brought into the account	13	(354033)	152908
Increase (decrease) in the value of linked assets	14	(10)	33
Other income	15	1070	91393
<b>Total income</b>	<b>19</b>	<b>476316</b>	<b>1193260</b>

**Expenditure**

Claims incurred	21	1400140	1337794
Expenses payable	22	114398	83849
Interest payable before the deduction of tax	23	8745	2523
Taxation	24	17221	95412
Other expenditure	25	247	88361
Transfer to (from) non technical account	26	164448	66000
<b>Total expenditure</b>	<b>29</b>	<b>1705199</b>	<b>1673939</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1228883)	(480679)
Fund brought forward	49	12631414	13112093
Fund carried forward (39+49)	59	11402531	12631414

**Long-term insurance business : Revenue account**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Income**

Earned premiums	11	207211	247401
Investment income receivable before deduction of tax	12	423383	494538
Increase (decrease) in the value of non-linked assets brought into the account	13	(186436)	5737
Increase (decrease) in the value of linked assets	14	(10)	33
Other income	15	876	2305
<b>Total income</b>	<b>19</b>	<b>445024</b>	<b>750014</b>

**Expenditure**

Claims incurred	21	1159651	1103262
Expenses payable	22	95669	71356
Interest payable before the deduction of tax	23	4380	2327
Taxation	24	(3339)	60330
Other expenditure	25	247	88361
Transfer to (from) non technical account	26	41518	
<b>Total expenditure</b>	<b>29</b>	<b>1298126</b>	<b>1325636</b>

Business transfers - in	31		
Business transfers - out	32	89475	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(942577)	(575622)
Fund brought forward	49	9258486	9834108
Fund carried forward (39+49)	59	8315909	9258486

**Long-term insurance business : Revenue account**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Income**

Earned premiums	11	17528	19722
Investment income receivable before deduction of tax	12	18204	18717
Increase (decrease) in the value of non-linked assets brought into the account	13	(12061)	22866
Increase (decrease) in the value of linked assets	14		
Other income	15	194	840
<b>Total income</b>	<b>19</b>	<b>23865</b>	<b>62145</b>

**Expenditure**

Claims incurred	21	12480	9072
Expenses payable	22	7310	5269
Interest payable before the deduction of tax	23	700	
Taxation	24	7260	27020
Other expenditure	25		
Transfer to (from) non technical account	26	48048	28500
<b>Total expenditure</b>	<b>29</b>	<b>75798</b>	<b>69861</b>

Business transfers - in	31	1377	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(50556)	(7716)
Fund brought forward	49	261816	269532
Fund carried forward (39+49)	59	211260	261816

**Long-term insurance business : Revenue account**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Income**

Earned premiums	11	1392	673
Investment income receivable before deduction of tax	12	161571	167875
Increase (decrease) in the value of non-linked assets brought into the account	13	(155536)	124305
Increase (decrease) in the value of linked assets	14		
Other income	15		88248
<b>Total income</b>	<b>19</b>	<b>7427</b>	<b>381101</b>

**Expenditure**

Claims incurred	21	228009	225460
Expenses payable	22	11419	7224
Interest payable before the deduction of tax	23	3665	196
Taxation	24	13300	8062
Other expenditure	25		
Transfer to (from) non technical account	26	74882	37500
<b>Total expenditure</b>	<b>29</b>	<b>331275</b>	<b>278442</b>

Business transfers - in	31	88098	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(235750)	102659
Fund brought forward	49	3111112	3008453
Fund carried forward (39+49)	59	2875362	3111112

**Long-term insurance business : Analysis of premiums**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11	147180	74739		221919	265791
Single premiums	12	258	8291		8549	6340

**Reinsurance - external**

Regular premiums	13	3955			3955	3873
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	382			382	462
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	142843	74739		217582	261456
Single premiums	18	258	8291		8549	6340

**Total**

Gross	19	147438	83030		230468	272131
Reinsurance	20	4337			4337	4335
Net	21	143101	83030		226131	267796



**Long-term insurance business : Analysis of premiums**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11	126216	73347		199563	243963
Single premiums	12	(261)	8291		8030	3900

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	382			382	462
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	125834	73347		199181	243501
Single premiums	18	(261)	8291		8030	3900

**Total**

Gross	19	125955	81638		207593	247863
Reinsurance	20	382			382	462
Net	21	125573	81638		207211	247401

**Long-term insurance business : Analysis of premiums**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11	20964			20964	21155
Single premiums	12	519			519	2440

**Reinsurance - external**

Regular premiums	13	3955			3955	3873
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	17009			17009	17282
Single premiums	18	519			519	2440

**Total**

Gross	19	21483			21483	23595
Reinsurance	20	3955			3955	3873
Net	21	17528			17528	19722

**Long-term insurance business : Analysis of premiums**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11		1392		1392	673
Single premiums	12					

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17		1392		1392	673
Single premiums	18					

**Total**

Gross	19		1392		1392	673
Reinsurance	20					
Net	21		1392		1392	673

## Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	79277	11828		91105	97102
Disability periodic payments	12					
Surrender or partial surrender	13	434528	228293		662821	706110
Annuity payments	14	3762	231719		235481	234743
Lump sums on maturity	15	268407	135604		404011	306133
<b>Total</b>	<b>16</b>	<b>785974</b>	<b>607444</b>		<b>1393418</b>	<b>1344088</b>

**Reinsurance - external**

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23	1672			1672	1763
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>1672</b>			<b>1672</b>	<b>1763</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	(695)			(695)	196
Disability periodic payments	32					
Surrender or partial surrender	33	(7390)			(7390)	3710
Annuity payments	34					
Lump sums on maturity	35	(309)			(309)	625
<b>Total</b>	<b>36</b>	<b>(8394)</b>			<b>(8394)</b>	<b>4531</b>

**Net of reinsurance**

Death or disability lump sums	41	79972	11828		91800	96906
Disability periodic payments	42					
Surrender or partial surrender	43	440246	228293		668539	700637
Annuity payments	44	3762	231719		235481	234743
Lump sums on maturity	45	268716	135604		404320	305508
<b>Total</b>	<b>46</b>	<b>792696</b>	<b>607444</b>		<b>1400140</b>	<b>1337794</b>

## Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	72230	11362		83592	89173
Disability periodic payments	12					
Surrender or partial surrender	13	432649	228291		660940	709834
Annuity payments	14		4460		4460	4471
Lump sums on maturity	15	266943	135322		402265	304315
<b>Total</b>	<b>16</b>	<b>771822</b>	<b>379435</b>		<b>1151257</b>	<b>1107793</b>

**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					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Death or disability lump sums	31	(695)			(695)	196
Disability periodic payments	32					
Surrender or partial surrender	33	(7390)			(7390)	3710
Annuity payments	34					
Lump sums on maturity	35	(309)			(309)	625
<b>Total</b>	<b>36</b>	<b>(8394)</b>			<b>(8394)</b>	<b>4531</b>

**Net of reinsurance**

Death or disability lump sums	41	72925	11362		84287	88977
Disability periodic payments	42					
Surrender or partial surrender	43	440039	228291		668330	706124
Annuity payments	44		4460		4460	4471
Lump sums on maturity	45	267252	135322		402574	303690
<b>Total</b>	<b>46</b>	<b>780216</b>	<b>379435</b>		<b>1159651</b>	<b>1103262</b>

## Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	7047			7047	7277
Disability periodic payments	12					
Surrender or partial surrender	13	1879			1879	(3750)
Annuity payments	14	3762			3762	5524
Lump sums on maturity	15	1464			1464	1784
<b>Total</b>	<b>16</b>	<b>14152</b>			<b>14152</b>	<b>10835</b>

**Reinsurance - external**

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23	1672			1672	1763
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>1672</b>			<b>1672</b>	<b>1763</b>

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	7047			7047	7277
Disability periodic payments	42					
Surrender or partial surrender	43	207			207	(5513)
Annuity payments	44	3762			3762	5524
Lump sums on maturity	45	1464			1464	1784
<b>Total</b>	<b>46</b>	<b>12480</b>			<b>12480</b>	<b>9072</b>

## Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

## Gross

Death or disability lump sums	11		466		466	652
Disability periodic payments	12					
Surrender or partial surrender	13		2		2	26
Annuity payments	14		227259		227259	224748
Lump sums on maturity	15		282		282	34
<b>Total</b>	<b>16</b>		<b>228009</b>		<b>228009</b>	<b>225460</b>

## 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					
<b>Total</b>	<b>26</b>					

## 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					
<b>Total</b>	<b>36</b>					

## Net of reinsurance

Death or disability lump sums	41		466		466	652
Disability periodic payments	42					
Surrender or partial surrender	43		2		2	26
Annuity payments	44		227259		227259	224748
Lump sums on maturity	45		282		282	34
<b>Total</b>	<b>46</b>		<b>228009</b>		<b>228009</b>	<b>225460</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	48144	66254	114398	83849
Management - other	15				
<b>Total</b>	<b>16</b>	<b>48144</b>	<b>66254</b>	<b>114398</b>	<b>83849</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	48144	66254	114398	83849
Management - other	45				
<b>Total</b>	<b>46</b>	<b>48144</b>	<b>66254</b>	<b>114398</b>	<b>83849</b>



## Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	40834	54835		95669	71356
Management - other	15					
<b>Total</b>	<b>16</b>	<b>40834</b>	<b>54835</b>		<b>95669</b>	<b>71356</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	40834	54835		95669	71356
Management - other	45					
<b>Total</b>	<b>46</b>	<b>40834</b>	<b>54835</b>		<b>95669</b>	<b>71356</b>

## Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	7310		7310	5269
Management - other	15				
<b>Total</b>	<b>16</b>	7310		7310	5269

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	7310		7310	5269
Management - other	45				
<b>Total</b>	<b>46</b>	7310		7310	5269

**Long-term insurance business : Analysis of expenses**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		11419	11419	7224
Management - other	15				
<b>Total</b>	<b>16</b>		11419	11419	7224

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		11419	11419	7224
Management - other	45				
<b>Total</b>	<b>46</b>		11419	11419	7224

**Long-term insurance business : Linked funds balance sheet**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
<b>Total assets (excluding cross investment) (11+12+ 13)</b>	<b>14</b>		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
<b>Total net assets (14-15-16-17)</b>	<b>18</b>		

**Directly held linked assets**

Value of directly held linked assets	21	35679	285
--------------------------------------	----	-------	-----

**Total**

Value of directly held linked assets and units held (18+21)	31	35679	285
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>35679</b>	<b>285</b>

**Long-term insurance business : Summary of new business**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Regular premium business	11				
Single premium business	12				6619
<b>Total</b>	<b>13</b>				<b>6619</b>

**Amount of new regular  
premiums**

Direct insurance business	21	51			51	67
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>51</b>			<b>51</b>	<b>67</b>

**Amount of new single  
premiums**

Direct insurance business	25		234		234	87896
External reinsurance	26					
Intra-group reinsurance	27		6609		6609	875
<b>Total</b>	<b>28</b>		<b>6843</b>		<b>6843</b>	<b>88771</b>





**Long-term insurance business : Analysis of new business**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
535	Group money purchase pensions UWP				6609



**Long-term insurance business : Non- linked assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **Total long term insurance business assets**  
 Financial year ended **31 December 2006**  
 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	3128	21526	678	3.15	
Approved fixed interest securities	12	1359972	1352192	58369	4.95	
Other fixed interest securities	13	1239539	1249231	69729	5.57	
Variable interest securities	14	365340	361285	940	7.32	
UK listed equity shares	15	10467	13670	801	5.86	
Non-UK listed equity shares	16	3414	6922	316	4.57	
Unlisted equity shares	17					
Other assets	18	308373	285406	15084	4.44	
<b>Total</b>	<b>19</b>	<b>3290233</b>	<b>3290232</b>	<b>145917</b>	<b>5.39</b>	

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

Land and buildings	21	123697	851327	26815	3.15	21.95
Approved fixed interest securities	22	3155063	2501696	110147	4.42	0.37
Other fixed interest securities	23	1649685	1907515	101541	5.66	2.85
Variable interest securities	24	526119	810885	40142	5.59	1.50
UK listed equity shares	25	1717323	2242786	83567	3.73	16.52
Non-UK listed equity shares	26	132279	268239	3231	1.20	9.75
Unlisted equity shares	27	386784	371224	14762	3.98	1.26
Other assets	28	2143216	880495	40846	4.63	5.01
<b>Total</b>	<b>29</b>	<b>9834166</b>	<b>9834167</b>	<b>421051</b>	<b>4.40</b>	<b>7.20</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					7.98
Return allocated to non taxable 'asset shares'	32					8.28
Return allocated to taxable 'asset shares'	33					6.98

**Long-term insurance business : Non- linked assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 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	25964	25964	1452	5.02	
Other fixed interest securities	13	30431	30431	1773	5.38	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	214537	214537	11988	5.59	
<b>Total</b>	<b>19</b>	<b>270932</b>	<b>270932</b>	<b>15213</b>	<b>5.51</b>	

**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					
<b>Total</b>	<b>29</b>					

**Overall return on with-profits assets**

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

**Long-term insurance business : Non- linked assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 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	1258062	1258062	53858	4.95	
Other fixed interest securities	13	1147094	1147094	64139	5.57	
Variable interest securities	14	348622	348622	203	7.40	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	67598	67598	2963	4.38	
<b>Total</b>	<b>19</b>	<b>2821376</b>	<b>2821376</b>	<b>121163</b>	<b>5.49</b>	

**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					
<b>Total</b>	<b>29</b>					

**Overall return on with-profits assets**

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

**Long-term insurance business : Non- linked assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **90:10**  
 Financial year ended **31 December 2006**  
 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	3128	21526	678	3.15	
Approved fixed interest securities	12	75946	68166	3059	4.84	
Other fixed interest securities	13	62014	71706	3817	5.65	
Variable interest securities	14	16718	12663	737	5.15	
UK listed equity shares	15	10467	13670	801	5.86	
Non-UK listed equity shares	16	3414	6922	316	4.57	
Unlisted equity shares	17					
Other assets	18	26238	3271	133	4.44	
<b>Total</b>	<b>19</b>	<b>197925</b>	<b>197924</b>	<b>9541</b>	<b>5.02</b>	

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

Land and buildings	21	123697	851327	26815	3.15	21.95
Approved fixed interest securities	22	3155063	2501696	110147	4.42	0.37
Other fixed interest securities	23	1649685	1907515	101541	5.66	2.85
Variable interest securities	24	526119	810885	40142	5.59	1.50
UK listed equity shares	25	1717323	2242786	83567	3.73	16.52
Non-UK listed equity shares	26	132279	268239	3231	1.20	9.75
Unlisted equity shares	27	386784	371224	14762	3.98	1.26
Other assets	28	2181431	918710	40846	4.44	4.80
<b>Total</b>	<b>29</b>	<b>9872381</b>	<b>9872382</b>	<b>421051</b>	<b>4.39</b>	<b>7.17</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					7.98
Return allocated to non taxable 'asset shares'	32					8.28
Return allocated to taxable 'asset shares'	33					6.98

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **Total long term insurance business assets**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	2335482	11.67	4.58	4.58
<b>Other approved fixed interest securities</b>	<b>21</b>	1518407	8.67	4.64	4.55
<b>Other fixed interest securities</b>					
AAA/Aaa	31	429684	9.63	5.01	4.91
AA/Aa	32	500521	9.33	5.32	5.17
A/A	33	935589	8.81	5.66	5.40
BBB/Baa	34	589486	7.00	5.83	5.18
BB/Ba	35	171036	4.29	6.94	5.08
B/B	36	221568	5.68	7.37	4.71
CCC/Caa	37	80679	6.06	3.13	1.77
Other (including unrated)	38	228184	6.83	4.60	
<b>Total other fixed interest securities</b>	<b>39</b>	3156747	7.99	5.60	4.71
<b>Approved variable interest securities</b>	<b>41</b>	425508	16.86	4.75	4.75
<b>Other variable interest securities</b>	<b>51</b>	746661	3.39	6.79	5.14
<b>Total (11+21+39+41+51)</b>	<b>61</b>	8182805	9.21	5.19	4.68

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	3753	10.72	4.62	4.62

<b>Other approved fixed interest securities</b>	<b>21</b>	22211	7.68	5.09	5.08
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**Other fixed interest securities**

AAA/Aaa	31	10977	5.61	5.36	5.28
AA/Aa	32	4474	8.92	5.36	5.19
A/A	33	14980	12.30	5.40	5.13
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	30431	9.39	5.38	5.19

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	56395	8.81	5.22	5.11
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	79793	16.56	4.63	4.63
<b>Other approved fixed interest securities</b>	<b>21</b>	1178270	9.35	4.97	4.96
<b>Other fixed interest securities</b>					
AAA/Aaa	31	230577	10.44	5.18	5.08
AA/Aa	32	349265	10.38	5.33	5.17
A/A	33	487993	8.95	5.62	5.35
BBB/Baa	34	28441	8.89	5.83	5.08
BB/Ba	35	50818	0.00	8.33	5.23
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	1147094	9.29	5.57	5.23
<b>Approved variable interest securities</b>	<b>41</b>	13134	10.99	5.58	5.58
<b>Other variable interest securities</b>	<b>51</b>	335487	0.28	7.47	5.76
<b>Total (11+21+39+41+51)</b>	<b>61</b>	2753778	8.44	5.52	5.16

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Category of assets **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	2251936	11.50	4.58	4.58

<b>Other approved fixed interest securities</b>	<b>21</b>	317926	6.20	3.38	3.01
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**Other fixed interest securities**

AAA/Aaa	31	188130	8.87	4.79	4.68
AA/Aa	32	146782	6.86	5.30	5.16
A/A	33	432616	8.54	5.72	5.47
BBB/Baa	34	561045	6.90	5.83	5.19
BB/Ba	35	120218	6.11	6.35	5.02
B/B	36	221568	5.68	7.37	4.71
CCC/Caa	37	80679	6.06	3.13	1.77
Other (including unrated)	38	228184	6.83	4.60	
<b>Total other fixed interest securities</b>	<b>39</b>	1979222	7.22	5.62	4.40

<b>Approved variable interest securities</b>	<b>41</b>	412374	17.05	4.72	4.72
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<b>Other variable interest securities</b>	<b>51</b>	411174	5.93	6.23	4.63
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	5372632	9.61	5.03	4.44
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## Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**Total business / subfund **Summary**Financial year ended **31 December 2006**Units  
**£000**

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

**Gross**

Form 51 - with-profits	11	1551695	1720286		3271981	3551508
Form 51 - non-profit	12	102001	2943918		3045919	3291468
Form 52	13	1134722	3627790		4762512	5369965
Form 53 - linked	14	9997	35404		45401	10359
Form 53 - non-linked	15	183			183	35169
Form 54 - linked	16	1828	74522		76350	89807
Form 54 - non-linked	17		354		354	777
<b>Total</b>	<b>18</b>	<b>2800426</b>	<b>8402274</b>		<b>11202700</b>	<b>12349053</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	(1409)			(1409)	249
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1828			1828	2
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>419</b>			<b>419</b>	<b>251</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	9722			9722	10074
Form 53 - non-linked	35	177			177	369
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>9899</b>			<b>9899</b>	<b>10443</b>

**Net of reinsurance**

Form 51 - with-profits	41	1551695	1720286		3271981	3551508
Form 51 - non-profit	42	103410	2943918		3047328	3291219
Form 52	43	1134722	3627790		4762512	5369965
Form 53 - linked	44	275	35404		35679	285
Form 53 - non-linked	45	6			6	34800
Form 54 - linked	46		74522		74522	89805
Form 54 - non-linked	47		354		354	777
<b>Total</b>	<b>48</b>	<b>2790108</b>	<b>8402274</b>		<b>11192382</b>	<b>12338359</b>

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **PEARL ASSURANCE LIMITED**Total business / subfund **90:10**Financial year ended **31 December 2006**Units **£000**

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

**Gross**

Form 51 - with-profits	11	1551695	1720286		3271981	3551508
Form 51 - non-profit	12	40469	148433		188902	204020
Form 52	13	1134722	3627790		4762512	5369965
Form 53 - linked	14	9997	35404		45401	10359
Form 53 - non-linked	15	183			183	35169
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>2737066</b>	<b>5531913</b>		<b>8268979</b>	<b>9171021</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>					

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	9722			9722	10074
Form 53 - non-linked	35	177			177	369
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>9899</b>			<b>9899</b>	<b>10443</b>

**Net of reinsurance**

Form 51 - with-profits	41	1551695	1720286		3271981	3551508
Form 51 - non-profit	42	40469	148433		188902	204020
Form 52	43	1134722	3627790		4762512	5369965
Form 53 - linked	44	275	35404		35679	285
Form 53 - non-linked	45	6			6	34800
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>2727167</b>	<b>5531913</b>		<b>8259080</b>	<b>9160578</b>

## Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

## Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	61532		61532	107074
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16	1828		1828	2
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	<b>63360</b>		<b>63360</b>	<b>107076</b>

## Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(1409)		(1409)	249
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1828		1828	2
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>419</b>		<b>419</b>	<b>251</b>

## 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				
<b>Total</b>	<b>38</b>				

## Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	62941		62941	106825
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	<b>62941</b>		<b>62941</b>	<b>106825</b>

## Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12		2795485	2795485	2980374
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		74522	74522	89805
Form 54 - non-linked	17		354	354	777
<b>Total</b>	<b>18</b>		<b>2870361</b>	<b>2870361</b>	<b>3070956</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>				

**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				
<b>Total</b>	<b>38</b>				

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42		2795485	2795485	2980374
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		74522	74522	89805
Form 54 - non-linked	47		354	354	777
<b>Total</b>	<b>48</b>		<b>2870361</b>	<b>2870361</b>	<b>3070956</b>

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

Name of insurer **PEARL ASSURANCE LIMITED**

Total business / subfund **90:10**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	30232	134312	5900				39197
105	Conventional whole life with-profits IB	610861	292426	4599				223612
120	Conventional endowment with-profits OB savings	108489	548558	33466				408422
125	Conventional endowment with-profits OB target cash	67214	870736	27715				755508
130	Conventional endowment with-profits IB	49535	97394	5253				87887
155	Conventional pensions endowment with-profits	2041	50411	521				27199
165	Conventional deferred annuity with-profits	1	2					28
205	Miscellaneous conventional with-profits	246	9922	211				3842
210	Additional reserves with-profits OB							1000
215	Additional reserves with-profits IB							5000
300	Regular premium non-profit WL/EA OB	5883	15288					11555
310	Non-profit IB	785718	28657					28194
390	Deferred annuity non-profit	5	2					23
435	Miscellaneous non-profit	211	6585	39				697































## Long-term insurance business: analysis of valuation interest rate

Name of insurer            PEARL ASSURANCE LIMITED

Subfund                    90:10

Financial year ended      31 December 2006

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
UKL WP code 100/120/125/205/210	1066403	3.70	4.30	4.87
UKL WP code 105/130/215	316499	3.60	4.37	4.99
UKL WP code 125	141566	3.20	3.68	4.20
UKL WP code 155/165	17864	4.60	5.09	5.64
UKL WP code 155	9362	4.25	4.85	5.47
UKL WP code 500	314882	3.10	3.88	4.45
UKL WP code 506	199742	3.80	3.80	4.43
UKL WP code 515	18435	3.20	3.68	4.20
UKL WP code 500/505/515/575	612042	3.30	3.96	4.60
UKL NP code 300	57	4.25	4.85	5.47
UKL NP code 310	28194	3.60	4.37	4.99
UKL NP code 300/390	155	4.60	5.09	5.64
UKL NP code 300/435/999	12063	3.70	4.30	4.87
UKP WP code 155	565929	4.25	4.25	4.78
UKP WP code 155/165/210	1087503	4.00	4.02	4.53
UKP WP code 200	69674	4.00	4.00	4.53
UKP WP code 525	341068	3.80	3.80	4.38
UKP WP code 535	107067	4.00	4.00	4.51
UKP WP code 545/605	2688455	3.80	3.80	4.37
<b>Total</b>				

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **PEARL ASSURANCE LIMITED**Subfund **90:10**Financial year ended **31 December 2006**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
UKP WP code 545	489767	4.25	4.25	4.81
UKP WP code 545	7558			1.08
UKP NP code 300	36210	4.25	4.25	4.75
UKP NP code 300/390	112222	4.00	4.02	4.53
Misc	31			
<b>Total</b>	8242748			



**Long-term insurance business : Distribution of surplus**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	11402532	12631414
Bonus payments in anticipation of a surplus	12	105915	71678
Transfer to non-technical account	13	164448	66000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	11672895	12769092
Mathematical reserves	21	11192383	12338359
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	480512	430733

**Composition of surplus**

Balance brought forward	31	274147	302502
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	206365	128231
Total	39	480512	430733

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	105915	71678
Cash bonuses	42		
Reversionary bonuses	43	19346	18908
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	125261	90586
Net transfer out of fund / part of fund	47	164448	66000
Total distributed surplus (46+47)	48	289709	156586
Surplus carried forward	49	190803	274147
Total (48+49)	59	480512	430733

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance business : Distribution of surplus**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **90:10**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	8315909	9258486
Bonus payments in anticipation of a surplus	12	105915	71678
Transfer to non-technical account	13	41518	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8463342	9330164
Mathematical reserves	21	8259081	9160578
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	204261	169586

**Composition of surplus**

Balance brought forward	31	79000	99000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	125261	70586
Total	39	204261	169586

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	105915	71678
Cash bonuses	42		
Reversionary bonuses	43	19346	18908
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	125261	90586
Net transfer out of fund / part of fund	47	41518	
Total distributed surplus (46+47)	48	166779	90586
Surplus carried forward	49	37482	79000
Total (48+49)	59	204261	169586

**Percentage of distributed surplus allocated to policyholders**

Current year	61	75.11	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	95.48

**Long-term insurance business : Distribution of surplus**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 BLAGAB**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	211261	261816
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	48048	28500
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	259309	290316
Mathematical reserves	21	62940	106824
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	196369	183492

**Composition of surplus**

Balance brought forward	31	154992	158276
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	41377	25216
Total	39	196369	183492

**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	48048	28500
Total distributed surplus (46+47)	48	48048	28500
Surplus carried forward	49	148321	154992
Total (48+49)	59	196369	183492

**Percentage of distributed surplus allocated to policyholders**

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



**Long-term insurance business : Distribution of surplus**

Name of insurer **PEARL ASSURANCE LIMITED**  
 Total business / subfund **0:100 PENSIONS**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	2875362	3111112
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	74882	37500
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2950244	3148612
Mathematical reserves	21	2870362	3070957
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	79882	77655

**Composition of surplus**

Balance brought forward	31	40155	45226
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	39727	32429
Total	39	79882	77655

**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	74882	37500
Total distributed surplus (46+47)	48	74882	37500
Surplus carried forward	49	5000	40155
Total (48+49)	59	79882	77655

**Percentage of distributed surplus allocated to policyholders**

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

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

Name of insurer PEARL ASSURANCE LIMITED

Original insurer PEARL ASSURANCE PLC

Date of maturity value / open market option 01 March 2007

1	2	3	4	5	6	7	8
Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	10	5739	n/a	n/a	CWP	N	5739
Endowment assurance	15	11461	649	n/a	CWP	N	11461
Endowment assurance	20	21509	2339	n/a	CWP	N	21509
Endowment assurance	25	40283	9949	n/a	CWP	N	40283
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	26485	2054	n/a	UWP	N	26485
Regular premium pension	15	47896	4842	n/a	UWP	N	47896
Regular premium pension	20	98023	n/a	n/a	CWP	N	73007
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	15849	2629	n/a	UWP	N	15849
Single premium pension	15	28016	9792	n/a	UWP	N	28016
Single premium pension	20	47097	n/a	n/a	CWP	N	21911

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

Name of insurer PEARL ASSURANCE LIMITED  
 Original insurer PEARL ASSURANCE PLC  
 Date of surrender value 01 March 2007

1	2	3	4	5	6	7	8
Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	8
Endowment assurance	10	5292	n/a	n/a	CWP	N	14776
Endowment assurance	15	10994	n/a	n/a	CWP	N	19598
Endowment assurance	20	20659	846	n/a	CWP	N	26774
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	11077	501	n/a	UWP	N	11077
With-profits bond	10	14524	1734	n/a	UWP	N	14524
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	15849	2629	n/a	UWP	N	15849

**Long-term insurance capital requirement**Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2006**Units **£000**

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		0.90		
Classes I (other), II and IX	14	0.3%	6697398	6037066	18111	20267
Classes III, VII and VIII	16	0.3%	7181	0.50	11	18
<b>Total</b>	<b>16</b>		<b>6704579</b>	<b>6037066</b>	<b>18122</b>	<b>20283</b>

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				93	93
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	11137321	11143360	1.00	111434	122782
Classes III, VII and VIII (investment risk)	33	1%	68154	68154	1.00	682	788
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	281	281	1.00	3	3
Classes III, VII and VIII (other)	35	25%				82	15
Class IV (other)	36	1%	6391	(66)	0.85	54	76
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>112255</b>	<b>123664</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	11137321	11143360	1.00	334301	368346
Classes III, VII and VIII (investment risk)	43	3%	68154	68154	1.00	2045	2363
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	281	281			
Classes III, VII and VIII (other)	45	0%	9942				
Class IV (other)	46	3%	6391	(66)	0.85	163	229
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>11222089</b>	<b>11211729</b>		<b>336509</b>	<b>370938</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>466979</b>	<b>514978</b>
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## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1

##### **\*0201\*            Modification to the Return**

- (a) The FSA, on the application of the firm, made a direction in December 2003 under section 148 of the Act. The effect of the direction is to modify, by virtue of the transitional provision contained in INSPRU TP Table 2, INSPRU 3.1.39 so that the firm must calculate the rate of interest to be used in calculating the present value of future payments by, or to, the firm on the basis of the respective aggregate yields for the firm's life and pensions 0:100 funds. However, the direction only applies to the fixed interest securities considered by the firm to be backing the firm's non-profit, non-linked, immediate annuity business. For the purposes of the direction, 'aggregate yield' means the rate of interest which equates the discounted value of the aggregate cash flows on the asset portfolio with the total market value of the asset portfolio.
- (b) The Financial Services Authority, on the application of the firm, made a direction in December 2003, which it varied in May and November 2004. The effect of the direction (as varied) is to enable the firm to apply a business amount of 5% to investments in collateralised debt obligations, in aggregate. £62 million in line 43 of Form 13 relates to the firm's investments in those assets.
- (c) The Financial Services Authority, on the application of the firm, made a direction in December 2006. The effect of the direction is to enable the firm to apply a business amount of 2% for the asset exposure arising from the beneficial interest in The Henderson UK Shopping Centre Fund and The Henderson Retail Warehouse Fund.

##### **\*0202\***

On the 28 November 2006, the Company re-registered as a private company under section 53 of the Companies Act 1985 with the Company name changing from Pearl Assurance Public Limited Company to Pearl Assurance Limited.

##### **\*0204\*            Shareholder undertaking of Pearl Assurance Limited**

As of 31 December 2006 the insurer was released from an undertaking which was given to the FSA on 31 October 2003. Further information relating to this is included within supplementary notes 1407 and 5803.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1 (continued)

<b>*0301*</b>	<b>Reconciliation of net admissible assets to total capital resources after deductions</b>	2006 £'000	2005 £'000
	Form 13 line 89 (total other than long term insurance business assets)	804,888	1,221,492
	Form 13 line 89 (total long term insurance business assets)	13,234,600	14,082,351
	Less Form 14 line 71	11,525,783	12,691,203
	Less Form 15 line 69	<u>276,292</u>	<u>691,254</u>
	Net Admissible Assets	2,237,413	1,921,386
	Capital resources requirement of regulated related undertakings	239,721	295,897
	Rounding difference	<u>1</u>	
	Form 3 line 79 – Total capital resources	<u><u>2,477,135</u></u>	<u><u>2,217,283</u></u>

#### **\*0307\*** Financial reinsurance accepted

The insurer has entered into a Surplus Relief Reassurance Arrangement with London Life Limited. Under this arrangement the insurer agreed to accept risk in respect of all the long-term business other than business of the "Life With-Profit Fund" of London Life Limited.

The entry on Form 3 line 93 represents a contingent premium due from London Life Limited which equals the liability of £22,000 (2005: £22,000) included in Form 51.

#### **\*0310\*** Valuation differences

Valuation differences within Form 3 line 14 in respect of liabilities where valuation in GENPRU and/or INSPRU is lower than the valuation that the insurer uses for external financial reporting purposes.

	2006 £'000	2005 £'000
Deferred Taxation	(33,410)	(46,130)
Corporation Taxation	-	3,500
Actuarial valuation differences		
- 0:100 Pensions	-	(15,000)
- 90:10	1,190,930	871,158
	<u><u>1,157,520</u></u>	<u><u>813,528</u></u>

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1 (continued)

**\*1305\***

**\*1319\***

#### Counterparty limits

- (a) The investment guidelines operated by the insurer limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the Market and Counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- (b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 1% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for the longer term, modifications may be sought.
  - Loans to other companies in the same group, where application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- (c) There were no breaches of these limits during the financial year.

**\*1306\***

**\*1312\***

#### Counterparty exposure at the end of the financial year

As at 31 December 2006, there were two counterparty exposures greater than 5% of the sum of the insurer's base capital resource requirement and long term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

	2006 £'000
Henderson Group plc	1,399,371
UK Treasury Securities	2,771,105

**\*1307\***

**\*1313\***

- (a) The aggregate value of rights over collateral in respect of approved stock lending transactions is £3,002m.
- (b) On 22 February 2007, reinsurance arrangements between the insurer and Opal Reassurance Limited ("Opal") were approved in principle by the Board of Directors and it is anticipated that a reinsurance treaty will be signed during the first half of 2007. The arrangement involving the reinsurance of specified pension annuities in payment to Opal is effective from 1 January 2007.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1 (continued)

<b>*1308*</b>	<b>Unlisted and listed investments</b>	2006 £'000	2005 £'000
	Unlisted Investments valued in accordance with the rules in GENPRU 1.3	549,100	460,600
	Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	8	6,700
	Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	437,803	412,168
	Total	<u>986,911</u>	<u>879,468</u>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 42, 46, or 48 of Form 13 Total long term business insurance assets. Units or other beneficial interests in collective investment schemes (as specified in instruction 5 to Form 13) are reported within Form 13 line 43 alongside other collective investment schemes.

Included within Collective Investment Schemes are the following assets:

	2006 £'000
Henderson Retail Warehouse Fund	139,469
Henderson Shopping Centre Fund	131,689
Henderson Central Office Fund	91,272
Henderson CASPAR Fund	75,373
Total	<u>437,803</u>

#### **\*1309\*** Hybrid securities

The aggregate value of those investments falling within lines 46 or 48 of Form 13, Total long term insurance business assets which are hybrid securities is £nil (2005: £nil).

#### **\*1318\*** Other asset adjustments

	2006 £'000	2005 £'000
Corporation Tax recoverable	(17,316)	-
Inadmissible per GENPRU 2 Annex 7R	2,046	-
Form 13 line 100 (total long term insurance business assets)	<u>(15,270)</u>	<u>-</u>
Reclassification of intra fund balance	(1,270)	-
Form 13 line 100 (total other than long term insurance business assets)	<u>(1,270)</u>	<u>-</u>



## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1 (continued)

##### \*1401\* Provision for reasonably foreseeable adverse variations

No provision for reasonably foreseeable adverse variations is required in the long term business (2005: £nil). The long term insurance business has no obligations to transfer assets or pay monetary amounts arising from either derivative contracts or quasi derivative contracts that are not covered.

##### \*1402\* Liabilities

- (a) There are no charges over assets.
- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £68 million (2005: £58 million). In accordance with FRS 19, the discounted value of £62 million (2005: £50 million) for this liability has been recognised together with further deferred tax liabilities totalling £8 million (2005: deferred tax liabilities £11 million) to give the figure of £70 million (2005: £61 million) shown on line 21 of Form 14.
- (c) In common with other life insurers in the United Kingdom, which have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.
- The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision included in the Peak 1 mathematical reserves for Phase 1 cases is £488 million (2005: £573 million). The provision included in the Peak 1 mathematical reserves for Phase 2 cases is £3 million (2005: £7 million).
- Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £6 million (2005: £12 million).
- Following consultation with the head of actuarial function, the directors are of the opinion that the provisions will not impact on the reasonable expectations of policyholders.
- (d) The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1 (continued)

##### \*1405\* Other liabilities adjustments

	2006	2005
	£'000	£'000
Deferred Taxation	(33,410)	(46,130)
Corporation Taxation	(17,316)	3,500
Actuarial valuation differences		
- 0:100 Pensions	-	(15,000)
- 90:10	1,190,930	871,158
	<hr/>	<hr/>
Form 14 line 74	1,140,204	813,528

##### \*1407\* Shareholder Undertaking of Pearl Assurance Limited

All items of revenue and expenditure ringfenced within the Earmarked Portfolio of the fund which was established as part of an undertaking given to the FSA on 31 October 2003 are summarised in the revenue account below. Following the release from this undertaking all excess assets were transferred to the non-technical account.

	2006	2005
	£'000	£'000
Fund brought forward	38,000	27,905
Investment income	1,743	1,280
Expenses payable	(23)	(18)
Taxation	(124)	(104)
Transfer to Earmarked Portfolio	12,677	8,937
Transfer from Earmarked Portfolio – re renegotiation of Investment Management Agreement	(10,755)	-
Transfer to the non technical account	(41,518)	-
Fund carried forward	<hr/>	<hr/>
	-	38,000

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

No provision for reasonably foreseeable adverse variations is required in the other than long term business (2005: £nil). The other than long term business has no obligations to transfer assets or pay monetary amounts arising from either derivative contracts or quasi derivative contracts.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

**Appendix 9.1 (continued)**

**\*1502\***

**Liabilities**

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains for the other than long term insurance business fund if the insurer disposed of its assets (2005: nil).
- (c) The insurer has no forward commitments in respect of group undertakings (2005: nil). The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (d) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

**\*1507\***

**Other liabilities adjustments**

	2006 £'000	2005 £'000
Reclassification of intra fund balance	(1,270)	-
Form 15 line 83	<u>(1,270)</u>	<u>-</u>

**\*1601\***

**Basis of conversion of foreign currency**

Assets and liabilities denominated in a foreign currency are translated using the closing rate method. Exchange differences on opening net assets are dealt with in the profit and loss account.

**\*1602\***

**Brought forward amounts**

Some of the brought forward amounts shown in Forms 11, 12, 24 and 28 have been restated from the corresponding carried forward amounts included in the previous year's return due to the reconversion of foreign currency amounts at a different rate of exchange.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.1 (continued)

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

The total of other income and charges for 2006 is income of £653,000 (2005: a charge of £16,845,000), comprising:

	2006 £'000	2005 £'000
Interest payable on loans from NPI Holdings Ltd	-	(14,822)
Interest payable on loan from National Provident Life Ltd	(989)	(2,052)
Amortisation of £900,000 excess on loan from Pearl Assurance Group Holdings Ltd	-	(180)
Professional fees	(644)	(1,237)
Churchill commission received	934	1,547
Churchill profit share agreement	3,658	-
Project Fees	-	(107)
Other (charges)/income	(2,306)	6
Total other income/ (charges)	<u>653</u>	<u>(16,845)</u>

##### \*1700\* Analysis of derivative contracts

In respect of Form 17 Total long term insurance business assets – 0:100 BLAGAB, all amounts required to be shown (including comparatives) would be zero and this Form has not been included in the return.

##### \*1701\* Variation margin

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received is included in line 44 of Form 13.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.2

##### \*20Aj\* **Contracts of insurance on discontinued business**

No new contracts of insurance were affected during the year for the following classes:

Authorisation Class	Date of last contract effected
Aircraft (5) and aircraft liability (11)	December 1993
Ships (6) and liability for ships (12)	September 1992
All other classes	July 2001

##### \*2007\* **Material connected-party transactions**

On 5 May 2006, the following subsidiaries of the insurer were placed into members voluntary liquidation: NPI Holdings Limited and PGI Limited. These companies are due to be dissolved in March 2007. As a result of these liquidations in non-insurance dependants shares, debts and loans has in total reduced by £329m, creditors other has in total reduced by £35m and debenture loans unsecured has in total reduced by £294m. There was no profit or loss arising.

On 1 July 2006, the insurer sold the entire issued share capital of its subsidiaries Pearl Assurance (Unit Funds) Limited (PAUF) and Pearl Assurance (Unit Linked Pensions) Limited (PAULP) at fair market value to Pearl Group Limited. From that date, the insurer ceased to be the immediate parent undertaking of PAUF and PAULP. The consideration of £139m comprised a £43m loan from Pearl Group Limited and the assumption by Pearl Group Limited of loan liabilities of the insurer totalling £96m. A profit of £27m arose on this transaction.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

**PEARL ASSURANCE LIMITED**  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

### Global Business

Financial year ended 31 December 2006

### Appendix 9.2

#### **\*2100\***

All business that would be reported in Form 21 is in run off with no premiums to report, and this form has not been included in the return

#### **\*2201\***

#### **\*2301\***

#### **Brought forward amounts**

Some of the brought forward amounts shown in Forms 22 and 23 have been restated due to Public Liability being moved from category number 409 in the previous year's return to category number 270.

#### **\*2202\***

#### **Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs. Carried forward claims management costs are based on the estimated direct costs of settling outstanding claims also loaded for estimated overheads and management costs. These are all reported on Treaty Non-Proportional Form 25.

#### **\*2204\***

#### **Acquisition costs**

All business reported on these Forms is in run off, therefore no deferred acquisition costs are applicable.

#### **\*2401\***

#### **Brought forward amounts**

Some of the brought forward amounts shown in Forms 24 have been restated due to category numbers 510, 520, 550 and 560 being moved from category number 709 in the previous year's return to category number 500. This achieves a more accurate classification of this business.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

**PEARL ASSURANCE LIMITED**  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

### Global Business

Financial year ended 31 December 2006

### Appendix 9.2 (continued)

**\*2402\* Underwriting year accounting**

Underwriting year accounting is felt to be a more appropriate than the accident year method for Aviation, Marine, Transport, Non-proportional and Proportional Treaty business. (These classes are in run off and prior to 1996 have been reported under the 1983 Regulations on Forms 24 to 29.)

The normal period for which an underwriting year is left open is 3 years.

**\*2404\* Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs. Carried forward claims management costs are based on the estimated direct costs of settling outstanding claims also loaded for estimated overheads and management costs. These are all reported on Form 25.

**\*2406\* Acquisition costs**

All business reported on these Forms is in run off and therefore no acquisition costs are applicable.

**\*2501\* Unearned premiums**

All business reported on Form 25 is in run off. Therefore no unearned premium reserves are applicable.

**\*3001\* Yield**

In calculating the yield, consideration has been given to the expected income that will be earned from the hypothecated admissible assets adjusted for projected realisations to meet future claims.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

**Appendix 9.2 (continued)**

**\*3003\* Discounting methods**

The risk category where an adjustment has taken place is:-

Combined Category	Risk Category	Rate of Interest	Expected interval to settlement date
Primary (direct) and facultative commercial lines business			
Employers Liability	271	3.50%	8 years
Public and Products Liability	273	3.50%	8 years

Methodology used:

In calculating the technical provisions in respect of long term UK Industrial disease business the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cash flows. The average period before the liability will be settled has been estimated at 8.4 years (2005: 9.8 years) and the provision has been discounted at an interest rate of 3.5% (2005: 3.5%).

The technical provisions for future claims payments have primarily been assessed using chain ladder methods. Where there is a notable exposure to long term asbestos, pollution and health hazard liabilities, external independent actuaries provide best estimate benchmarks. An appropriate prudential margin is applied to all lines of business, as it is recognised that the estimation of certain future claims payments is an inherently uncertain exercise and future experience could be more adverse.

**\*3101\* Brought forward amounts**

Some of the brought forward amounts shown on Form 31 have been restated due to British Electric Employer Liability being moved from category number 409 in the previous year's return to category number 271.

**\*3700\***

**\*3800\***

**\*3900\***

Forms 37, 38 and 39 have been omitted from the return. The insurer is exempt from the requirement of INSPRU 1.4.17R to maintain a non-credit equalisation provision as there is no such provision brought forward from the previous financial year and the relevant net written premiums are less than the threshold amount.



**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**PEARL ASSURANCE LIMITED**  
**(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

**Appendix 9.3**

**\*4002\* Other income and expenditure**

2006

The total of other income of £1,070,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Commission received	194	194	-	-
Sundry Income	876	-	-	876
	<hr/>	<hr/>	<hr/>	<hr/>
	1,070	194	-	876

The total of other expenditure of £247,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Sundry expenditure	247	-	-	247
	<hr/>	<hr/>	<hr/>	<hr/>
	247	-	-	247

Transfer of contracts are now included within Form 40 lines 31 and 32, refer note 4004.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.3 (continued)

##### Other income and expenditure (continued)

2005

The total of other income of £91,393,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Transfer of contracts	88,248	-	88,248	-
Other amounts due from policyholders to be deducted on claim	1,101	-	-	1,101
Commission received	840	840	-	-
Sundry income	1,204	-	-	1,204
	<u>91,393</u>	<u>840</u>	<u>88,248</u>	<u>2,305</u>

The total of other expenditure of £88,361,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Transfer of contracts	88,248	-	-	88,248
Sundry expenditure	113	-	-	113
	<u>88,361</u>	<u>-</u>	<u>-</u>	<u>88,361</u>

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.3 (continued)

##### \*4004\* Transfers of contracts

	2006 £'000	2005 £'000
Business transfers into Revenue Account – 0:100 BLAGAB	1,377	-
Business transfers into Revenue Account – 0:100 PENSIONS	88,098	-
Business transfers into Revenue Account – Summary	<u>89,475</u>	<u>-</u>
Business transfers out of Revenue Account – 90:10	<u>(89,475)</u>	<u>-</u>

Transfer of contracts were previously included within Form 40 lines 15 and 25, refer note 4002.

##### \*4006\* Apportionments between long term insurance business funds/sub funds

###### (a) Investment Income

Gross investment income for 0:100 sub-funds has been apportioned in accordance with the notional allocation of assets.

The remaining gross investment income is apportioned to the 90:10 fund by reference to adjusted mean funds. These are the mean of the opening and closing funds, before transfer to profit and loss account and excluding investment income, increase in value of assets brought into account and tax, adjusted in respect of items that are applicable to specific account or in respect of uneven incidence over the year.

###### (b) Increase in value of assets brought into account

The realised and unrealised gains and losses on the 0:100 and 90:10 sub-funds have been determined on the notional allocation of assets and have all been brought into account less an adjustment for taxation.

###### (c) Expenses

Expenses not directly attributable to a class of business have been apportioned between the long term insurance business funds on bases considered to be appropriate and equitable having regard to the nature of each such expense and the purpose for which it was incurred.

###### (d) Taxation

The taxation charged to the long term insurance business revenue accounts is computed in total and allocated to each sub-fund, taking account of any apportionments referred to in (a) - (c) above and of any reliefs to which each fund may be entitled.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

Financial year ended 31 December 2006

#### Appendix 9.3 (continued)

##### \*4008\* Provision of management services

All administration and management services to the insurer has been provided by Pearl Group Services Limited.

On 10 March 2006 Pearl Group Services Limited entered into a comprehensive outsourcing service agreement with Diligenta Limited, a newly formed subsidiary of TCS. On 1 April 2006, the relevant transferring staff of Pearl Group Services Limited became employed by Diligenta Limited.

Henderson Global Investors Limited have provided investment management services to the insurer for the whole of the financial year.

##### \*4401\* Basis of valuation of assets

Investments are stated at the published prices of the unit trusts at the end of the financial year.

##### \*4500\*

The insurer has no internal linked funds and all amounts required to be shown would be zero and these forms have not been included within the return.

##### \*4801\*

Within the 90:10 sub-fund, the largest asset share portfolio is for all Ordinary Branch With-Profits business other than Ordinary Branch Reinsured Socially Responsible With Profits business and Ordinary Branch Reinsured Capital Account Pension business.

The asset share philosophy for this portfolio assumes an asset mix of:

Land and Buildings	13.7%
Approved Fixed Interest Securities	26.7%
Other Fixed Interest Securities	22.0%
Variable Interest Securities	4.6%
UK Listed Equity Shares	27.1%
Non-UK Listed Equity Shares	3.5%
Unlisted Equity Shares	5.0%
Other Assets	(2.7%)

##### \*4806\*

The assets used to calculate the investment returns shown in Form 48 line 21 to line 29 column 5 are those for the mix specified in note 4801.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

**Appendix 9.3 (continued)**

**\*4901\***

UBS credit ratings were used to provide the Form 49 split where available, otherwise the credit ratings used were provided by Henderson Global Investors Limited.

**\*5500\***

The insurer has no internal linked funds and this form has not been included within the return.

**\*5803\***

**Shareholder Undertaking of Pearl Assurance Limited and percentage of distributed surplus allocated to policyholders**

Following the release from an undertaking which was given to the FSA on 31 October 2006, the whole of the Earmarked Portfolio of the fund has been transferred to the non technical account as at 31 December 2006. This has affected the apparent percentage of distributed surplus allocated to policyholders in the 90:10 Form 58. The basis of allocation is unaltered from the previous year. The allocation of surplus remains 90:10 but the instructions for completing the Form 58 does not allow it to be shown in this way.

Returns under the Accounts and Statements Rules

Statement of major treaty reinsurers required by rule 9.25

PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

Global Business

Financial year ended 31 December 2006

Full name of major reinsurer	Address	Details of connection (if any)	Proportional Treaty premiums paid in the financial year £000	Non Proportional Treaty premiums paid in the financial year £000	Debtor included at Line 75 of Form 13 £000	Deposits received included at Line 31 of Form 15 £000	Anticipated recoveries included at Line 61 of Form 13 £000
National Indemnity Company	3024 Hamey Street Omaha Nebraska 68131	None					117,137
European International Reinsurance Company	Chancery House High Street Bridgetown Barbados West Indies	None					50,202
Churchill Insurance Company Limited	Churchill Court Westmoreland Road Bromley Kent BR2 1DP	None					13,295

**Returns under the Accounts and Statements Rules**

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

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

The insurer has no major facultative reinsurers

**Returns under the Accounts and Statements Rules**

**Statement of major cedants required by rule 9.27**

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

The insurer has no major cedants



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

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

**PEARL ASSURANCE LIMITED**  
**(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

#### **Global Business**

##### **Financial year ended 31 December 2006**

- (a) During the financial year the insurer operated an investment policy for the use and control of derivatives. This policy lists the approved derivative contracts and the approved uses of derivatives, establishes procedures for introducing new contracts or uses, identifies areas of risk, and establishes a control framework for dealing, settlement and independent monitoring and reporting of derivatives.

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management).

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by either cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

The insurer controls market risks through the setting of exposure limits, which are subject to detailed monitoring and review. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

The insurer permits the purchase of partly paid shares, subject to the unpaid capital being covered by cash, and also convertible bonds as alternatives to investment in the underlying equities.

- (b) Subject to the principles described above, the investment policy permits the writing of contracts, under which the insurer had an obligation to acquire or dispose of assets, which were not reasonably likely to be exercised, at the time when the contract was entered into. In these circumstances the portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of exotic options, including barrier options, without the prior approval of the senior management of the Investment Manager. The purchase of free-standing out of the money call options is not permitted.

## Returns under the Accounts and Statements Rules

### Statement of additional information on derivative contracts required by rule 9.29 (continued)

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

#### Financial year ended 31 December 2006

- (c) During the financial year the insurer bought and sold options where, at outset, the strike price of a call option was above the price of the underlying instrument or the strike price on a put option was below the price of the underlying instrument. The market movement required at outset to trigger the options was generally less than 5% of the strike price. The nominal exposure of the insurer to contracts where the required market movement exceeded 5% is shown below, together with the market movement that would be required to trigger the options

Contract Type	Exposure £'m	Weighted average % movement to strike	Number of Contracts
Bought Call	137.1	47.81%	4
Bought Put	68.8	8.03%	8
Sold Call	36.9	38.02%	11
Sold Put	262.2	14.21%	30

- (d) The extent to which Form 13 would be changed if assets which the insurer had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired and disposed of, is as follows:

Asset	Actual Holding	Exposure due to derivatives	Combined Economic Exposure
	£m	£m	£m
Fixed Interest – Approved	4,441.8	(332.1)	4,109.7
Equity Shares	2,250.3	134.6	2,384.9
Deposits	114.8	197.5	312.3

- (e) If options outstanding at the end of the financial year had been exercised so as to change exposures by the maximum amount (allowing for options that either must be exercised together, or the exercise of one precludes the possibility of the other being exercised), the numbers in (d) above would have been as follows:

Asset	Actual Holding	Exposure due to derivatives	Combined Economic Exposure
	£m	£m	£m
Fixed Interest – Approved	4,441.8	(332.1)	4,109.7
Equity Shares	2,250.3	241.7	2,492.0
Deposits	114.8	90.4	205.2

## Returns under the Accounts and Statements Rules

### Statement of additional information on derivative contracts required by rule 9.29 (continued)

#### PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

#### Global Business

#### Financial year ended 31st December 2006

- (f) The maximum extent to which the information provided in (d) above would have been different if (d) had applied to derivative contracts at other points during the financial year is as follows:

	Change due to derivatives £m	Date
Deposits	(416.7)	17 August 2006
Fixed Interest – Approved	113.9	17 August 2006
Equity Shares	302.8	17 August 2006

The maximum extent to which the information supplied in (e) above would have been different if (e) had applied to derivative contracts at other points during the year is as follows:

	Change due to derivatives £m	Date
Deposits	(562.5)	17 August 2006
Fixed Income	113.9	17 August 2006
Equity Shares	448.6	17 August 2006

- (g) The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, under existing market conditions was £10.4 million.

The maximum loss, which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, in the event of other foreseeable market conditions, was £11.5 million.

The maximum potential loss at any other time during the year due to the failure of a single counterparty to fulfil its obligations under derivative contracts was £78.6 million.

- (h) The insurer has not made use of any derivative contract at any time during the financial year, which required significant provision to be made for it under INSPRU 3.2.17R.
- (i) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £3.7 million.

The contracts under which such rights were granted were the sale of covered call and put options on UK Stock holdings along with the sale of index call and put options.

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

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

#### **PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

##### **Global Business**

##### **Financial year ended 31 December 2006**

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were Pearl Group Limited, Sun Capital Investments Limited, Hera Investments One Limited, Xercise Limited, Jambright Limited, Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas, TDR Capital Nominees Limited and TDR Capital LLP.

The persons who, to the knowledge of the insurer, were controllers at the end of the financial year were:

##### **1. Pearl Group Limited**

As at 31 December 2006, Pearl Group Limited owned 100% of the shares of Pearl Assurance Limited (formerly Pearl Assurance Plc) and was able to exercise 100% of the voting power at any general meeting.

##### **2. Sun Capital Investments Limited**

As at 31 December 2006, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **3. Hera Investments One Limited**

As at 31 December 2006, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **4. Xercise Limited**

As at 31 December 2006, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **5. Jambright Limited**

As at 31 December 2006, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

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

#### **PEARL ASSURANCE LIMITED (FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

##### **Global Business**

**Financial year ended 31 December 2006**

**(continued)**

#### **6. Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas**

As at 31 December 2006, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 70.4% of the ordinary shares of Xercise Limited and were able to exercise 70.4% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **7. TDR Capital Nominees Limited**

As at 31 December 2006, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **8. TDR Capital LLP**

As at 31 December 2006, 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 nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Limited (formerly Pearl Assurance Plc) is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

### **Statement of information on the with-profits actuary required by rule 9.36**

**PEARL ASSURANCE LIMITED**  
**(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

#### **Global Business**

##### **Financial year ended 31 December 2006**

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year 2006.

1. a) K J Arnott held no shares or share options in 2006
  - b) K J Arnott held a number of assurance and insurance policies and investment products issued by the insurer in the normal course of business, the transactions being of a minor nature.
  - c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2006 was £236,637.
  - d) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statement Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

#### Note 1

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

**PEARL ASSURANCE LIMITED**  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

**APPENDIX 9.4**

**ABSTRACT OF VALUATION REPORT**

**Introduction**

1. (1) The date to which the actuarial investigation relates is 31 December 2006.
- (2) The date to which the previous actuarial investigation under IPRU(INS) rule 9.4 related was 31 December 2005.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4).

**Product range**

2. There have been no significant changes to products during the financial year.

**Discretionary charges and benefits**

3. (1) Market Value Adjustments (MVAs) were applied as follows:

<b>Product</b>	<b>Policy Year of entry</b>	<b>Period applied</b>
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Jun 2002	Throughout 2006
Reinsurance Accepted Portfolio Bond 1b	Jan 2000 to Jun 2002	Throughout 2006
Reinsurance Accepted Portfolio Bond 2	Feb 2000 to Jun 2002	Throughout 2006
Reinsurance Accepted Investment Bond	Oct 2000 to Jun 2002	Throughout 2006
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Jun 2002 Oct 2000 to Mar 2002	Jan 2006 to Jun 2006 Jul 2006 to Dec 2006
Reinsurance Accepted Individual Pensions	Jan 2000 to Jun 2002 Jan 2000 to Sep 2001	Jan 2006 to Jun 2006 Jul 2006 to Dec 2006
Reinsurance Accepted Group Pensions	Jan 2000 to Jun 2002 Jan 2000 to Sep 2001	Jan 2006 to Jun 2006 Jul 2006 to Dec 2006
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Mar 2002 Jan 2001 to Sep 2001	Jan 2006 to Jun 2006 Jul 2006 to Dec 2006

**Notes:**

1. The MVAs for Homebuyer version 1 are calculated individually per policy dependent on the actual date premiums were paid.

The following products applied discretionary penalties during 2006.

**Prosperity Personal Pensions version 1**

On transfer out, or retirement before age 60 or within 5 years of inception if aged greater than 60, discretionary penalties were applied from 1 January 2006 until 30 June 2006 on the Single Premium Bonus Series for all policy years of entry.

**Free Standing Additional Voluntary Contributions version 1**

On transfer out or retirement before the intended retirement age discretionary penalties were applied from 1 January 2006 until 30 June 2006 on the Single Premium Bonus Series for all policy years of entry.

- (2) There have been no changes to premiums on reviewable protection policies during the financial year. The amount of annual premium for business where a change was permitted but did not occur was £18.6 million.

There has been a re-price of non-profit Yearly Renewable Term business approved for implementation in January 2007. This has been allowed for in the valuation. The % change in premium rates will be between -3% and -43%, with Critical illness cover rates increasing by 10%. The amount of annual premium for business impacted by these changes is £16.3 million.

- (3) No policies have been sold in this category.
- (4) Policy fees for Homebuyer version 1 were increased in 2006 in line with National Average Earnings, an increase of 4.4%.
- (5) During the financial year, benefit charges remained unchanged on linked products.
- (6) During the financial year, unit management charges for unitised accumulating with-profits and linked business remained unchanged.

No notional charges are applied to non-unitised accumulating with-profits business.

- (7) (a) Units are all of the same type (net accumulation).
- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
- (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the "offer price". The "bid price" is the base price rounded to the lower tenth of a penny.
- (iii) The asset values of the internal linked funds are calculated on a "bid" basis, as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.
- (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made.



- (b) During the financial year there were no times at which different pricing bases applied to different policies.
  - (c) A mid-market price applies to the collective investment schemes. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.
- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

The table below summarises the current tax rates used and the times at which the accruals are cleared.

<b>Fund Type</b>	<b>Realised Gains</b>	<b>Unrealised Gains</b>	<b>Realised Losses</b>	<b>Unrealised Losses</b>
Fixed Interest	20%	20%	20%	20%

Fixed Interest tax accruals are cleared at the end of each month.

Equity (Collective Investment Scheme Holdings)	19.9%	17.3%	19.9%	17.3%
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Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2006 was 17.3%.

- (9) See (8) above.
- (10) The allowances made to the insurer on the holding of such units are not significant. The extent to which the policyholder benefits from them is such that the charges made to the policyholder are no greater than if the underlying investments were directly held.

#### **Valuation basis (other than for special reserves)**

4. (1) The general principles and methods adopted in the valuation are:

##### **NON LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses, options and guarantees and rider benefits such as waiver.

For accumulating with-profit business, the mathematical reserves were determined using a gross premium method and are as according to the method prescribed by INSPRU 1.2.71R.

##### **INDEX LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method.

## LINKED BUSINESS

Mathematical reserves have been determined by valuing the units allocated to policies and adding a non-unit reserve for mortality and expenses.

The non-unit reserve is obtained on a discounted cashflow method. The amount of the non-unit reserve is the net present value of any yearly deficiencies of income over outgo less yearly surpluses of income over outgo, making no allowance for surrender/lapse but allowing for policies being made paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

- (2) The following table sets out the rates of interest rate used for all product groups representing a significant amount of business:

Sub Fund	Product Group	2006	2005	Product Code
90:10	Conventional Life Business	3.70%	3.60%	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	3.60%	3.40%	105, 130, 310
90:10	Conventional General Annuity endowments	4.60%	4.80%	155, 300
90:10	Conventional Pensions deferred annuities	4.0%/3.22% <sup>(1)</sup>	4.4%/2.72% <sup>(1)</sup>	165, 390
90:10	Conventional Pensions endowments	4.00%	4.50%	155, 300
90:10	Reinsurance Accepted Immediate Annuities	4.00%	3.70%	200
90:10	Non-Unitised Accumulating With Profits - Pensions Business	3.80%	3.80%	545
90:10	Unitised Accumulating With Profits – Life Business	3.30%	2.90%	500, 505, 515, 575
90:10	Reinsurance Accepted Bonds	3.10%	3.10%	500
90:10	Unitised Accumulating With Profits - Pensions Business	3.80%	3.80%	525
90:10	Unitised Accumulating With Profits – ISA Business	3.80%	3.80%	506
90:10	Reinsurance Accepted Pensions Business	4.00%	4.60%	535

<b>Sub Fund</b>	<b>Product Group</b>	<b>2006</b>	<b>2005</b>	<b>Product Code</b>
0:100 BLAGAB	Conventional General Annuity pre 1992	4.74%	4.13%	390, 395, 400
0:100 BLAGAB	Conventional Life Assurances	3.30%	2.91%	300, 325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances	4.71%	2.91%	325, 435
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	4.74%	4.12%	400
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	4.88%	4.31%	400
0:100 Pensions	Conventional Pensions Immediate Annuities – index linked (Direct and Reinsurance Accepted from other than NP Life)	4.71%	4.39%	905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities – index linked	4.67%	4.03%	905

Note:

1. Where two interest rates are shown they represent the interest rate in deferment and interest rate in payment.
- (3) Yields on other approved fixed interest with a credit rating lower than AAA and other fixed interest or variable yield were reduced to allow for the risk of default whilst retaining the margin over gilt yields in respect of reduced liquidity of corporate bonds and overseas government bonds. The level of the reduction was assessed by reference to the term and credit ratings of the assets.

Properties were categorised into directly owned and indirectly owned. The yield was determined for each individual property based on the lower of the current rental yield and the prospective rental yield. The yield was restricted to the 15 year gilt yield plus 150bp.

For each equity a prudent dividend and earnings yield were calculated as the minimum of the published and consensus yields. An arithmetic average of the prudent dividend and prudent earnings yield was then calculated. The greater of these 2 values was then compared with the consensus earnings yield and the lower value taken.

Equities were divided into UK quoted, overseas quoted and unquoted. They were further subdivided into the following yield bands:

Quoted UK and overseas equities:

- Greater than 5%
- Greater than 4.5% but less than 5%
- Greater than 4.0% but less than 4.5%
- Greater than 3.5% but less than 4.0%
- Greater than 3.0% but less than 3.5%
- Greater than 2.5% but less than 3.0%
- Greater than 2.0% but less than 2.5%
- Greater than 1.5% but less than 2.0%
- Greater than 1.0% but less than 1.5%
- Greater than 0.0% but less than 1.0%
- Equal to 0.0%

Unquoted equities:

- Greater than 0.0%
- Equal to 0.0%

(4) Products representing a significant amount of business used ultimate mortality on the following bases:

Sub Fund	Product Group	2006		2005		Product Code
		Male	Female	Male	Female	
90:10	Conventional Life Business	85% AM80	85% AF80	85% AM80	85% AF80	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
90:10	Conventional General Annuity endowments	65% AM80	65% AF80	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions deferred annuities (pre vesting basis)	65% AM80	65% AF80	65% AM80	65% AF80	165, 390
90:10	Conventional Pensions deferred annuities (post vesting basis)	110% RMV92 max(75% mcl, 92s, 1%) C2022 <sup>(1)</sup>	100% RFV92 max(75% mcl, 92s, 1%) C2022 <sup>(1)</sup>	95% RMV92 C2021	82.5% RFV92 C2021	165, 390
90:10	Conventional Pensions endowments with a variable retirement age	65% AM80	65% AF80	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions endowments – Other – Compound Bonus	65% AM80	65% AF80	65% AM80	65% AF80	155
90:10	Conventional Pensions endowments – Other – Simple Bonus	85% AM80	85% AF80	85% AM80	85% AF80	155, 300
90:10	Reinsurance Accepted Immediate Annuities	87.5% PMA00 max(mcl, 1%) <sup>(2)</sup>	87.5% PFA00 max(mcl, 1%) <sup>(2)</sup>	90% PMA92 C2025	90% PFA92 C2025	200
90:10	Non-Unitised Accumulating With Profits – Pensions Business	65% AM80	65% AF80	65% AM80	65% AF80	545
90:10	Unitised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
90:10	Unitised Accumulating With Profits – Other	65% AM80	65% AF80	65% AM80	65% AF80	500, 505, 506, 525, 575
90:10	Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
90:10	Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
90:10	Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

Sub Fund	Product Group	2006		2005		Product Code
		Male	Female	Male	Female	
0:100 BLAGAB	Conventional Life Assurances	85% AM80	85% AF80	85% AM80	85% AF80	300, 435
0:100 BLAGAB	Conventional General Annuity Immediate Annuities pre 1992	110% RMV92 max(75% mclc,92s,1%) <sup>(1)</sup>	100% RFV92 max(75% mclc,92s,1%) <sup>(1)</sup>	95% RMV92 projected	82.5% RFV92 projected	395, 400
0:100 BLAGAB	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	57.5% AM80	57.5% AF80	325
0:100 BLAGAB	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	117.5% AM80	117.5% AF80	325
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	110% RMV92 max(75% mclc,92s,1%) <sup>(1)</sup>	100% RFV92 max(75% mclc,92s,1%) <sup>(1)</sup>	95% RMV92 projected	82.5% RFV92 projected	400, 905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	105% RMV92 max(mclc,1%) <sup>(2)</sup>	105% RFV92 max(mclc,1%) <sup>(2)</sup>	100% RMV92 projected	85% RFV92 projected	400, 905

Notes

1. Maximum of 75% of the average of Medium and Long cohort improvements or CMI17 improvements or 1%.
2. Maximum of the average of Medium and Long cohort improvements or 1%

The male expectations of life for the annuitant mortality bases above are as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			21.9	21.9
90:10	Reinsurance Accepted Immediate Annuities	23.8	14.9		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	21.6	13.6		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	21.6	13.6		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	23.4	14.9		

The female expectations of life for the annuitant mortality bases above are as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			25.2	25.2
90:10	Reinsurance Accepted Immediate Annuities	26.2	16.9		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	25.4	16.3		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	25.4	16.3		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	26.1	16.8		

(5) There are no products representing a significant amount of business that use a morbidity basis.

(6) The expense bases are as follows:

**Per Policy Expenses**

**NON LINKED BUSINESS**

<b>Subfund</b>	<b>Product Group</b>	<b>2006 £pa</b>	<b>2005 £pa</b>	<b>Tax Relief</b>	<b>Code</b>
90:10	Conventional endowment with-profits OB savings	60.28	58.88	20%	120
90:10	Conventional endowment with-profits OB target cash	60.28	58.88	20%	125
90:10	Conventional pensions endowment with-profits	60.28	58.88	0%	155
90:10	Conventional deferred annuity with-profits	60.28	58.88	20%	165
0:100	Annuity non-profit (CPA)	51.96	50.75	20%	400
<b>BLAGAB</b>					
0:100	Annuity non-profit (CPA)	45.26	44.20	0%	400
<b>Pensions</b>					
90:10	Life UWP single premium	54.25	52.99	20%	500
90:10	Life UWP endowment regular premium – target cash	60.28	58.88	20%	515
90:10	Individual pensions UWP	60.28	58.88	0%	525
90:10	Group money purchase pensions UWP	0.00	0.00	20%	535
90:10	Individual deposit administration with-profits	60.28	58.88	20%	545

**Gross Investment expenses**

Investment expenses, before allowance for tax, have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

<b>Sub Fund</b>	<b>Product Group</b>	<b>2006 Bp<sup>(2)</sup></b>	<b>2005 Bp<sup>(2)</sup></b>
90:10	All business except inflation swap <sup>(1)</sup>	36.0	19.0
90:10	Inflation swap <sup>(1)</sup>	7.0	8.0
0:100 BLAGAB	All business	8.0	10.0
0:100 Pensions	All business	8.0	10.0

**Notes:**

1. Inflation swap held in respect of the Personal Pensions Guarantee Reserve
2. These rates are after allowing for VAT at 17.5%.



## Inflation Rates

(7) Inflation rates for expenses and policy charges were as follows:

Sub fund		2006	2005
90:10	Expense inflation	3.9%	3.5%
0:100 BLAGAB	Expense inflation	3.6%	3.5%
0:100 Pensions	Expense inflation	3.6%	3.5%
90:10	Policy charge inflation	4.2%	4.0%
90:10	Expense inflation (Reinsurance Accepted Bonds)	4.7%	4.5%
90:10	Expense inflation (Reinsurance Accepted Immediate Annuities)	5.2%	5.0%

## Future Bonus Rates

(8) As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for Reinsurance Accepted Portfolio Bond 2 where allowance is made for any guaranteed bonus payable.

## Persistency

(9) A summary of the surrender, lapse and paid-up assumptions is as follows:

Product <sup>(1) (2) (3)</sup>		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	lapse	19.0%	9.5%	8.25%	8.25%
Decreasing term	lapse	26.8%	10.0%	8.25%	8.25%
UWP bond	surrender	nil	nil	nil	nil
UWP bond	automatic withdrawals <sup>(3)</sup>	1.5%	1.5%	1.5%	1.5%
UWP indiv pension regular premium	PUP	15.0%	15.0%	15.0%	15.0%

### Notes:

- (1) This table gives the persistency assumptions used in the valuation for the products specified in the instructions in IPRU(INS) for paragraph 4(9) of Appendix 9.4 where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10m and 1% of the total gross mathematical reserves.
- (2) Where alternative bases are used for the same product, the basis shown is that which is used by at least 50% of the business for that product.
- (3) The above rates are for policies that are not currently making automatic withdrawals. For policies that are currently making automatic withdrawals the current rate is assumed to remain unchanged.

## Retirement Rates

- (10) For Conventional Pensions and General Annuity endowments with a variable retirement age it has been assumed that a specified proportion of policyholders retire at each possible retirement age as follows:

Age Attained	2006	2005
60	15%	20%
61	2%	3%
62	2%	3%
63	2%	3%
64	2%	3%
65	40%	50%
66	10%	10%
67	2%	2%
68	2%	2%
69	2%	2%
70	5%	10%
71	5%	5%
72	2%	2%
73	2%	2%
74	2%	2%
75	100%	100%

For all other Pensions Business a retirement age of 67, or current age if older, has been assumed in the determination of the mathematical reserve held.

- (11) No allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.
- (12) **Effect on Mathematical reserves due to changes in INSPRU**

Allowance for lapses on valuation of protection business has reduced net mathematical reserves by £5.5m.

Allowance for negative reserves on valuation of protection business has reduced net mathematical reserves by £32.8m.

## Options and Guarantees

5. (1) (a) The guaranteed annuity option reserve is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option.

The expected annuity rate takes into account the annuity pricing basis and choices of retirement age, tax free cash percentages, escalation rate and guarantee period; it is also calculated using interest rates derived from a properly calibrated model of future risk free yields from the gilts market.

The valuation is calculated at an individual policy level and allows for voluntary discontinuance in deferment, the take up rate of the guarantee and the terms of the guarantee.

Some Conventional Pensions endowment with-profits policies also have a guaranteed minimum pension. The guarantee reserve is calculated as above but taking the higher of the guaranteed annuity payment under the guaranteed annuity rate option and the guaranteed minimum pension.

The reserve has been determined in accordance with the basis set out below:

<b>Assumption</b>	<b>2006</b>	
Take up Rate	100%	
Rate of interest	BoE gilts spot curve, capped at 4.25%	
Mortality in payment	110% RMV92 max(75% mclc,92s,1%) <sup>(1)</sup> 100% RFV92 max(75% mclc,92s,1%) <sup>(1)</sup>	
Expected annuity Guarantee periods	0 years	40%
	5 years	15%
	10 years	45%
Expected annuity Escalation rates	0% p.a.	85%
	3% p.a.	10%
	5% p.a.	5%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years	
Retirement Rates	As per 4(10) above	
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age:	
	Regular	1% pa
	Single	0.5% pa
	All other business	0% pa

Note:

1. Maximum of 75% of the average of Medium and Long cohort improvements or CMI17 improvements or 1%.

(b) Details of the products concerned are summarised below:

Type of Business	Product name	Basic reserve £'000	Spread of outstanding durations <sup>(1)</sup>	Guarantee reserve <sup>(2)</sup> £'000	GAR (% fund for 65 year old male) <sup>(3)</sup>	Increments allowed?	Annuity form	Retirement Age	Product Code
UK Life	Conventional pensions endowment with-profits	17,776	Gradual run-off, mean term of 16 years	9,269	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	1,050,753	Gradual run-off, mean term of 15 years	555,334	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	85,153	Gradual run-off, mean term of 11 years	35,460	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	79,998	Gradual run-off, mean term of 12 years	35,404	10%	No	See Note 4	60-75	725

Notes:

1. The spread of outstanding durations has been estimated to account for the variable retirement rates.
2. For those Conventional pensions endowment with-profits policies that also have a Guaranteed Minimum Pension, the guarantee reserve includes additional reserve for the Guaranteed Minimum Pension.
3. Guaranteed annuity rates are for the following form of annuity: Single life, monthly in advance. Level annuity, no guarantee period and are shown to whole numbers. Other forms of annuity will have different guaranteed annuity rates.
4. Guaranteed annuity rates are available for the following forms of annuity:
  - a. Self Employed Deferred Annuities: Single life, monthly in advance, Level annuity, 0, 5 or 10 year guarantee period
  - b. Section 32 buyout bonds and Executive Pension Plans: Single life, monthly in advance, No guarantee period, 0%, 3% or 5% escalation rate.
  - c. Reinsurance Accepted Annuity Rate Guarantee: Single life, monthly in advance, Level annuity, 0, 5 or 10 year guarantee period

- (2) No investment performance guarantee is given on linked contracts.

There are no guaranteed surrender values not already allowed for in the valuation of the basic mathematical reserve.

- (3) Pearl Assurance Limited does not have a significant amount of business with guaranteed insurability options.

**(4) Personal Pensions Guarantee Reserve**

A reserve has been made for guaranteeing benefits in respect of certain Personal Pensions policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by Pearl Assurance Limited and those where they are shared between Pearl Assurance Limited and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of NPI Limited.

The following method is used to determine the mathematical reserves:

- a) For cases that have been given a guarantee: on a case by case basis using the actual information available to calculate or estimate the liability period, current salary, policy value offsets and thus calculate the overall liability. All the calculations assume a model pension scheme benefit rather than the actual scheme benefits of the fund of which the policyholder was or could have been a member.
- b) For other cases which have not been given a guarantee, or where the guarantee has been satisfied but where the internal accounting on the case is not yet finally complete: by allocating a notional settlement cost as necessary to each case on the basis of a potential liability period, or if this is unknown, an appropriate average liability period. The notional settlement cost per year of liability period being appropriately determined from recent settlement statistics.

This reserve has been determined in accordance with the basis set out below, in which the rates are expressed as real rates rather than nominal rates:

<b>Assumption</b>	<b>2006</b>
Rate of interest	1.10% per annum
Rate of salary inflation (including an allowance for salary progression)	2.0% per annum
Expenses loading for annuity in payment <sup>(1)</sup>	22.5%
Mortality in deferment	65% AM/AF80 ultimate
Mortality in payment	110%RMV 92 max(75% mcl,92s,1%) 100%RFV 92 max(75% mcl,92s,1%)
Percentage assumed married	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme

<sup>(1)</sup> annuities in payment are assumed to increase at RPI

The amount of business involved had a basic mathematical reserve of £85 million reserve with additional reserves of £491 million. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

### **Mortgage Endowment Promise**

An additional reserve has been made to cover the Mortgage Promise made to certain mortgage endowment policies. The reserve is the expected shortfall discounted at the appropriate valuation interest rate and allowing for mortality and lapses.

This reserve has been determined in accordance with the basis set out below:

<b>Assumption</b>	<b>2006</b>
Rate of interest	3.2% per annum
Mortality - Conventional Life Endowment	85% AM/F80 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/F80 Ult
Voluntary Discontinuance	1.50% p.a.
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £402 million with additional reserves of £160 million.

### **Expense Reserves**

6. (1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are as follows:

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Non-Unitised Accumulating With Profits - Pensions Business	-	11	23	10	44
Other	-	21	57	0	78
<b>Total</b>	-	<b>32</b>	<b>80</b>	<b>10</b>	<b>122</b>

- (2) All provisions for future expenses have been made using explicit methods, except for investment expense allowance where a margin in the valuation interest rate is used.
- (3) The amount of expense loadings expected to arise in the next 12 months are different from the maintenance expenses shown on Form 43 due to the margins for adverse deviation and project costs.
- (4) Since Pearl Assurance Limited has ceased to write new business other than increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.
- (5) No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to these total per policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives Pearl Assurance Limited certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Pearl Assurance Limited is closed to new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

- (6) The reserve for non-attributable expenses all relate to the product group Non-Unitised Accumulating With Profits - Pensions Business. This reserve was calculated as an estimate of project expenses.

#### **Mismatching reserves**

7. (1) The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits) and the liabilities in respect of the deposits received from reinsurers as shown in Form 14, analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

<b>Currency</b>	<b>Liabilities £m</b>	<b>Assets £m</b>
Sterling	11,194	9,608
US Dollar		812
Euro		483
Other		291
<b>Total</b>	<b>11,194</b>	<b>11,194</b>

- (3) The amount of reserve for currency mismatching is £nil because sufficient excess assets are held to cover the exposure arising from currency mismatching, the level of which is within the limit given by INSPRU 3.1.53R.
- (4) Pearl is a realistic reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.
- (5) Not applicable – see 7(4).
- (6) Not applicable – see 7(4).
- (7) No additional reserve is held.

## Other special reserves

8. Not applicable.

## Reinsurance

9. (1) No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom. No deposit back arrangement exists.

(2) Not applicable.

## 10. Reversionary (or annual) bonus

### Industrial Branch – Conventional Business policies

Bonus Series	31.12.2006 Basic Mathematical reserve £'000	31.12.2006 Reversionary Bonus £ Per £1 4 weekly premium £	31.12.2005 Reversionary Bonus £ Per £1 4 weekly premium £	31.12.2006 Total guaranteed bonus £ Per £1 4 weekly premium £
Endowment policies	87,887	£0	£0	N/A
Whole Life policies	223,612	£0	£0	N/A

### Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2006 Basic Mathematical reserve £'000	31.12.2006 Reversionary bonus %	31.12.2005 Reversionary bonus %	31.12.2006 Total guaranteed bonus %
Life regular premium	160,010	0%	0%	N/A
Pensions regular premium	164,449	0%	0%	N/A

### Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2006 Basic Mathematical reserve £'000	31.12.2006 Reversionary bonus %	31.12.2005 Reversionary bonus %	31.12.2006 Total guaranteed bonus %
Life regular premium and paid up policies	1,047,122	0%	0%	N/A
General annuity fund regular premium and paid up policies	26,234	0%	0%	N/A
Pensions regular premium and paid up policies	738,064	0%	0%	N/A
Pensions single premium	747,643	0%	0%	N/A



**Ordinary Branch – Non-Unitised Accumulating With-Profits Business**

<b>Bonus Series</b>	<b>31.12.2006</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2006</b>
	<b>Basic Mathematical reserve</b>	<b>Reversionary bonus</b>	<b>Reversionary bonus</b>	<b>Total guaranteed bonus</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>%</b>
Regular premium	1,217,189	0%	0%	N/A
Single premium	443,325	0%	0%	N/A
Protected rights DSS recurring single premium	1,027,940	0%	0%	N/A

Ordinary Branch – Utilised Accumulating With-Profits Business (Super Compound Bonus)

Bonus Series	31.12.2006	01.01.2006 - 14.03.2006	Reversionary bonus	15.03.2006 - 18.06.2006	Reversionary bonus	19.06.2006 - 19.12.2006	Reversionary bonus	20.12.2006 - 31.12.2006	Reversionary bonus	01.01.2005 - 31.12.2005	Reversionary bonus	01.01.2006 - 31.12.2006	Total guaranteed bonus
	Basic Mathematical reserve £'000	%	%	%	%	%	%	%	%	%	%	%	%
Life policies issued in 1995	19,674	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	N/A	
Life policies issued after 1995	573,547	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	N/A	
Pensions policies	297,237	2.2%/1.1%	2.5%/1.25%	2.9%/1.45%	3.5%/1.75%	2.2%/1.1%	2.2%/1.1%	2.2%/1.1%	2.2%/1.1%	2.2%/1.1%	2.2%/1.1%	N/A	
ISA Bonus Account policies	197,801	1.0%/0.5%	2.7%/1.35%	2.7%/1.35%	2.7%/1.35%	2.7%/1.35%	2.9%/1.45%	2.9%/1.45%	2.9%/1.45%	1.0%/0.5%	1.0%/0.5%	N/A	
Bonus Account policies	13,477	0.8%/0.4%	1.8%/0.9%	1.8%/0.9%	1.8%/0.9%	1.8%/0.9%	2.0%/1.0%	2.0%/1.0%	2.0%/1.0%	0.8%/0.4%	0.8%/0.4%	N/A	

### Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2006 Basic Mathematical reserve £'000	31.12.2006 Reversionary bonus %	31.12.2005 Reversionary bonus %	31.12.2006 Total guaranteed bonus %
Portfolio Bond 1a	43,409	1.00%	1.00%	N/A
Portfolio Bond 2 <sup>(1)</sup>	10,346	1.00%	1.00%	See Note (1)
Investment Bond	145,676	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	107,135	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions <sup>(2)</sup>	55,609	1.50%	1.50%	N/A
Group Pensions <sup>(2)</sup>	29,591	1.50%	1.50%	N/A
Capital Account Pensions <sup>(2)</sup>	19,941	3.25%	3.25%	N/A
Immediate Annuities Series 3	16,746	4.50%	4.50%	N/A
Immediate Annuities Series 4	36,353	4.50%	4.50%	N/A

#### Notes

1. For Portfolio Bond 2, at the end of five years there is an additional 2% bonus added plus another 2% bonus every five years thereafter. This bonus applies to all funds.
2. The rates shown are for policies with an annual management charge of 1.00%. The annual bonus rates applied to the other policies are adjusted according to their annual management charge

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

**PEARL ASSURANCE LIMITED**  
**(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**APPENDIX 9.4A**

**ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION**

**1. Introduction**

- (1) The date to which the investigation relates is 31 December 2006.
- (2) The date of the previous valuation is 31 December 2005.
- (3) An interim valuation was carried out at 30 June 2006.

**2. Assets**

- (1) A market-consistent valuation is used to determine the value of future profits on non-profit insurance contracts written within the with-profits fund. The zero coupon curves used for this valuation and the previous valuation are set out below.

<b>Implied zero curve at 31 December 2006 (gilts + 10bp)</b>							
<b>Year</b>	<b>Zero-curve</b>	<b>Year</b>	<b>Zero-curve</b>	<b>Year</b>	<b>Zero-curve</b>	<b>Year</b>	<b>Zero-curve</b>
1	5.42%	11	4.78%	21	4.43%	31	4.07%
2	5.34%	12	4.75%	22	4.38%	32	4.04%
3	5.30%	13	4.73%	23	4.33%	33	4.02%
4	5.21%	14	4.72%	24	4.29%	34	4.00%
5	5.15%	15	4.71%	25	4.25%	35	3.98%
6	5.07%	16	4.68%	26	4.21%	36	3.96%
7	5.00%	17	4.63%	27	4.18%	37	3.94%
8	4.95%	18	4.59%	28	4.15%	38	3.92%
9	4.89%	19	4.53%	29	4.12%	39	3.90%
10	4.83%	20	4.48%	30	4.10%	40	3.89%

Source: Tillinghast analysis of Bloomberg data

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**Implied zero curve at 31 December 2005 (gilts + 10bp)**

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<b>Year</b>	<b>Zero-curve</b>	<b>Year</b>	<b>Zero-curve</b>	<b>Year</b>	<b>Zero-curve</b>	<b>Year</b>	<b>Zero-curve</b>
1	4.30%	11	4.25%	21	4.12%	31	4.04%
2	4.32%	12	4.25%	22	4.11%	32	4.03%
3	4.33%	13	4.24%	23	4.11%	33	4.02%
4	4.33%	14	4.24%	24	4.10%	34	4.01%
5	4.31%	15	4.23%	25	4.10%	35	4.00%
6	4.30%	16	4.21%	26	4.09%	36	3.99%
7	4.27%	17	4.19%	27	4.08%	37	3.99%
8	4.24%	18	4.17%	28	4.07%	38	3.98%
9	4.25%	19	4.15%	29	4.06%	39	3.97%
10	4.25%	20	4.13%	30	4.05%	40	3.97%

Source: Tillinghast analysis of Bloomberg data

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- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

### 3. With-Profits Benefit Reserve Liabilities

- (1) The table below shows the methods used to calculate the With-Profits Benefits Reserve.

<b>Table of Retrospective and Prospective Methods Used to Calculate the With-Profits Benefits Reserve (£m)</b>			
<b>Product Class</b>	<b>Method used to calculate With-Profits Benefit Reserve</b>	<b>With-Profits Benefits Reserve</b>	<b>Future Policy Related Liabilities</b>
Conventional With-Profits Life business	Retrospective – asset shares <sup>1</sup>	1,404	110
Conventional With-Profits Pensions business	Retrospective – asset shares <sup>1</sup>	870	546
Conventional With-Profits Industrial Branch business	Retrospective – asset shares	468	67
Non Unitised Accumulating With-Profits business	Retrospective – asset shares	3,279	(87)
Direct Unitised Accumulating With-Profits business	Retrospective – shadow fund	1,125	82
Reassurance Accepted Unitised Accumulating With-profits business	Retrospective – shadow fund	433	4
Reassurance Accepted Pension annuity	Retrospective – shadow fund	70 <sup>2</sup>	0
Other business	Not applicable		1,232
<b>Total</b>		<b>7,649</b>	<b>1,954</b>

<sup>1</sup> Asset shares are not calculated for paid-up policies and the with-profits benefits reserve for such policies is the regulatory reserve.

<sup>2</sup> The with-profits benefits reserve for annuity business reinsured from London Life is set to the regulatory reserve.

- (2) The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.
- (3) Not applicable.
- (4) Not applicable.

#### 4. With-Profits Benefits Reserve – Retrospective Method

- (1) (a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 93.9% of the total with-profits benefit reserve.
- (b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 6.1% of the total with-profits benefit reserve.
- (c) (i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.
- (c)(ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2006 was 414,060. These contracts were grouped into a total of 3,721 model points.
- (c)(iii) The effect of any grouping was tested by comparing the statutory reserves calculated for the grouped model points with the actual statutory reserves calculated using the individual policy data used for the regulatory peak valuation. The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level.
- (2) (a) Not applicable.
- (b) Not applicable.
- (3) (a) As maintenance expenses are defined in a Service Management Agreement, an expense investigation is not necessary.

Expenses consist of:

- Defined per policy maintenance charges from a Service Management Agreement,
- Project costs,
- Direct costs such as regulatory costs, and
- Investment management expenses.

Project and direct costs are calculated each year based on the costs incurred.

Investment management expenses are charged directly based on an Investment Management Fee Agreement.

- (b) Not applicable.
- (c)(i) No expenses were identified as initial expenses.
- (c)(ii)

<b>Expenses Allocated to With-Profits Benefits Reserve during 2006 (£m)</b>	
<b>Expense Type</b>	<b>Amount</b>
Initial expenses	0.0
Maintenance expenses <sup>1</sup>	54.9
<b>Total expenses</b>	<b>54.9</b>

<sup>1</sup> Service company charges, plus project costs of £1.3m and direct costs of £1.8m.

(c)(iii) For product lines with the with-profit benefits reserve calculated using “retrospective – asset shares”, the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.

For business calculated using “retrospective – shadow fund”, an allowance for expenses is made through an annual management charge expressed as a percentage of the fund.

(c)(iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were 0.49% of assets in 2006.

(4) For Conventional With-Profits Life and Pensions business and non Unitised Accumulating With-Profits business, a charge of 0.10% per annum, deducted from the investment return, has been made to reflect the cost of guarantees. No charge is made to Conventional With-Profits Industrial Branch business, Direct Unitised Accumulating With-Profits business or Reassurance Accepted Unitised Accumulating With-profits business for the cost of guarantees. No other charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital.

The same charges were made during 2005.

(5) For Direct Unitised Accumulating With-profits business, a periodical management charge is made to the asset shares, where the charge is as described in Appendix 9.4 for the relevant product.

For Reassurance Accepted Unitised Accumulating With-profits business, the same charging structure is applied to the shadow fund as to the unit fund.

(6) The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below.

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<b>Average Claim Payout Ratio (%)</b>	
<b>Year</b>	<b>Payout Ratio</b>
2006	107%
2005	102%
2004	113%

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They are a best estimate of the payout ratio for with-profits business for the period based on claims paid, including any guarantee costs. It should be noted that individual payout ratios will differ to this depending on the product and timing of claim.

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2006 was 8.28%.

## **5. With-Profits Benefits Reserve – Prospective Method**

(1) Not applicable.

(2) Not applicable.



## 6. Costs of Guarantees, Options and Smoothing

- (1) Not applicable.
- (2) (a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach, with the exception of the pensions misselling liability which is valued using a certainty equivalence approach.
- (b)(i) No contracts have been treated on an individual basis.
- (b)(ii) All of the with-profits insurance contracts for which costs have been valued have been treated on a grouped basis.
- (b)(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2006 was 1,455,425 (comprising 747,540 pensions contracts and 707,885 life contracts). These contracts were grouped into a total of 14,898 model points (comprising 2,573 pensions and 12,325 life).

The total number of contracts, total office premiums and total guaranteed benefits for the grouped and ungrouped data were compared at product line level. In addition, for conventional business, the effect of any grouping was tested by comparing the regulatory reserves calculated for the grouped model points with the actual regulatory reserves calculated using individual policy data.

- (c) Not applicable.
- (3) Not applicable.
- (4) (a) (i) The main guarantees, options and smoothing valued are:
- Basic benefit guarantees, e.g. the sums assured and attaching reversionary bonuses for conventional with-profits business and the unit fund for accumulating with-profits business payable on death or maturity for a whole life or endowment or deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
  - Annuity rate guarantees on certain self employed deferred annuities and some other deferred annuity policies, i.e. a guaranteed annuity rate specified in the contract that can be applied at retirement to convert the cash benefits provided by the contract into annuity benefits. Generally, these annuity rate guarantees are in-the-money.
  - Guaranteed minimum pensions (GMP) on Freedom Bond conventional pensions policies that resulted from transfers from contracted out schemes. This guarantee is that the pension provided at retirement is at least above a certain level. Generally, these guaranteed minimum pensions are in-the-money.
  - The Mortgage Promise made to certain mortgage endowment policies. Generally, this promise is in-the-money.
  - Guaranteed surrender values on direct unitised accumulating with-profits business, where the policyholder receives the unit fund less a surrender penalty on surrender, and where no MVA is applicable. Generally, these guaranteed surrender values are currently in-the-money.
  - The cost of smoothing arises due to the policy of constraining payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share. Since payouts are currently in excess of asset share, the smoothing costs are generally positive.

- Guarantees in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by Pearl Assurance Limited and those where they are shared between Pearl Assurance Limited and Pearl Assurance (Unit Linked Pensions) Ltd. Generally, these guarantees are in-the-money.

(a)(ii) The model assumes that:

- Interest rates follow a 1-factor Hull & White process.
- Corporate bond spreads also follow a 1-factor Hull & White process.
- Equity and property returns follow an extension of the Black-Scholes lognormal model with a stochastic rather than deterministic drift term.

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a 10bp adjustment.
- The two parameters that govern the evolution of the interest rate model are chosen so that, given this discount function, the model replicates swaption prices that would be implied by the yield curve and market swaption volatilities.

The equity model is driven by two parameters that represent the equity dividend yield and equity process volatility respectively. The dividend yield parameter is set to zero, so as to output total equity returns. The volatility parameter is set to reflect the prices of long term at-the-money equity puts and calls and is fitted using least squares estimation. Note that this parameter is not directly comparable to the observed market equity volatility as the equity process is a function of the stochastic interest rate and therefore some of the interest rate volatility defined by the interest rate volatility parameter is also included in the equity process.

The following table shows the market data used to calibrate the equity process.

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**Implied volatility of at-the-money FTSE-100 put options (%)**

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Option Term	1 year	2 years	3 years	4 years	5 years
31 December 2006	14.25	15.15	15.79	16.10	16.38

Source: UBS

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The correlation assumptions used are listed in the table below. These assumptions are set based on historic data regarding the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

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### Correlation factors between asset classes

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	Long dated bond returns	Equity returns	Property returns
Long dated bond returns	100%		
Equity returns	30%	100%	
Property returns	10%	30%	100%

Source: Tillinghast Analysis

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The property model is parameterised by two parameters that represent the rental yield and property process volatility respectively. The rental yield parameter is set to zero, in order to model total property returns. Ideally, the volatility parameter would be set to reflect the prices of long term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. Note that, as with the equity process, the property volatility parameter is not the observed market property volatility as the property process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the property process.

The corporate bond process models the variation in the spread over risk free bonds. The calibration of this process is in two steps:

- Firstly, the model is calibrated to market zero-coupon corporate bond yields at the valuation date, so that the model will exactly reproduce the prices of corporate bonds traded in the market at the valuation date.
- Secondly, two parameters are chosen so that the model optimally replicates the historic volatility of corporate bond spreads.

The overseas equity model is driven by two parameters that represent the overseas equity dividend yield and overseas equity process volatility respectively. The dividend yield parameter is set to zero, so that we model total overseas equity returns. The volatility parameter is set to 35%. This a conservative assumption taking account of currency, liquidity and emerging market effects, as compared to an analysis of SPX 500 volatility which indicated a volatility of 23%. Note that this parameter is not the observed market overseas equity volatility as the equity process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the overseas equity process.

Data for option prices on the MSCI index was not available to calibrate the overseas equity process.

The correlation with the equity process was set based on typical correlations between the FTSE 100 and other equity indices supplied by UBS, which suggest that a correlation between the overseas equity and equity processes of 80% is reasonable.

(a)(iii) The following table shows the simulated values of specific options and/or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet, with one exception – the corporate bond scenarios used to derive the values are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine the realistic balance sheet reflected the average credit quality of the corporate bond portfolio.

**Simulated values of specific options and / or contracts – 31 December 2006 (£)**

	Asset type (all UK assets)	K=0.75			K=1			K=1.5					
		5	15	25	35	5	15	25	35	5	15	25	35
n													
r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	5.20%	4.69%	4.25%	3.97%	X	X	X	X	X	X	X	X
1	Risk free zero coupon bond	775,991	502,595	353,440	255,645	X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	42,279	127,432	170,250	222,917	154,773	263,692	318,637	382,817	534,208	629,297	692,279	763,842
3	FTSE All Share Index (p=0.8)	32,053	86,591	104,004	130,060	127,842	189,492	205,255	231,344	470,514	480,158	475,787	487,272
4	Property (p=1)	38,157	100,940	159,861	221,883	144,375	233,305	310,073	382,692	529,309	610,254	687,638	763,384
5	Property (p=0.8)	29,265	65,280	95,980	127,941	118,377	159,975	195,481	230,419	464,888	454,557	467,256	488,070
6	15 year risk free zero coupon bonds (p=1)	749	1,463	3,161	13,777	53,972	65,136	72,094	102,257	500,944	500,082	500,734	507,522
7	15 year risk free zero coupon bonds (p=0.8)	286	0	112	1,081	31,614	17,145	10,042	16,207	428,350	314,021	235,406	197,144
8	15 year corporate bonds (p=1)	1,635	5,524	7,032	18,603	63,703	80,194	86,567	112,308	500,611	502,073	502,871	511,486
9	15 year corporate bonds (p=0.8)	672	1,168	435	2,035	40,636	27,226	16,895	21,545	428,236	319,096	244,374	206,918
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	25,098	84,680	127,918	177,532	123,246	211,534	267,261	327,244	521,831	583,212	636,194	698,676
11	Portfolio of 65% FTSE All Share and 35% property (p = 0.8)	17,696	51,445	70,627	94,612	97,288	139,749	160,030	185,281	454,177	429,388	420,538	427,346
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 1)	14,374	62,751	87,944	127,731	108,250	180,924	214,940	266,125	511,133	553,770	587,166	637,269
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 0.8)	8,728	33,036	42,116	59,307	82,630	113,441	116,247	134,533	441,804	398,838	366,251	364,777
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p = 1)	5,685	28,675	48,748	81,659	82,231	131,961	161,008	206,395	505,670	521,411	540,884	578,521

**Simulated values of specific options and / or contracts – 31 December 2006 (£)**

	Asset type (all UK assets)	K=0.75		K=1		K=1.5							
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p = 0.8)	3,061	9,803	16,350	28,996	57,511	69,345	71,409	87,303	434,519	355,234	311,775	302,152
			L = 15				L = 20				L = 25		
16	Receiver swaptions	7.48%	9.64%	8.06%	6.09%	10.45%	12.09%	9.88%	7.45%	13.04%	14.14%	11.40%	8.59%

**Notes:**

(1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

- (a)(iv) As described in 6(4)(a)(ii) the equity dividend yield and the overseas equity dividend yield have been set to zero. The property rental yield parameter is also set to zero, so as to output total property returns.
- (a)(v) For the purposes of rule 1.3.62 of the INSPRU sourcebook, the US and the Eurozone were the only significant overseas territories. There is no separate asset model for overseas assets and so the simulated prices of the swaptions would be the same as those set out in the table in 6(4)(a) (iii).
- (a)(vi) The outstanding term of significant guarantees within material product classes are shown in the following table.

<b>Outstanding term of significant guarantees (years)</b>				
<b>Product Class</b>	<b>GAO / GMP on maturity</b>	<b>Guarantees on maturity</b>	<b>Guarantees on surrender</b>	<b>Mortgage Endowment Promise</b>
Conventional With-profits Life business	N/A	4	N/A	9
Conventional With-profits Pension business	13	12	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	3	N/A	N/A
Non unitised Accumulating With-profits business	N/A	15	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	13	6	7
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

The fit of the asset model to specimen swaptions and put options is demonstrated below.

**Ratio of simulated to pseudo swaptions prices<sup>(1)</sup>**

<b>Option Maturity</b>	<b>Swap Length</b>	
	<b>10 years</b>	<b>15 years</b>
10 years	96%	100%
15 years	105%	104%

(1) A swaption consistent with the gilts base curve risk-free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

This table demonstrates that the scenarios can be used to reproduce market prices. The observed errors are small, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

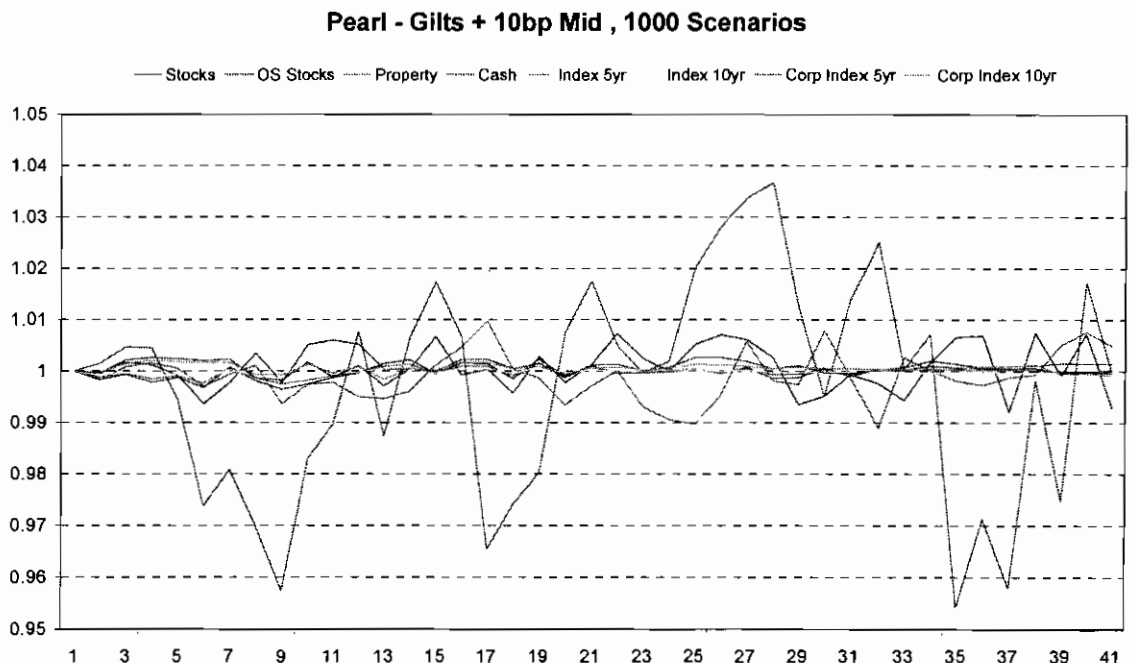
- (a)(vii) The validation process involves two tests:
- Ensuring the scenarios satisfy the principle of no arbitrage.
  - Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator is based on well-established models that have been subject to peer review in the academic literature. Published proofs exist that the models are internally consistent and arbitrage free. The models are implemented using simulation techniques. To ensure that the models have been implemented correctly and that the simulation process does not introduce bias we have carried out test runs using sufficient numbers of scenarios (8 million in total) such that the test illustrated below would identify any systematic errors. The models have passed this test without error.

In day to day use, it is not possible to use sufficient scenarios to eliminate all simulation error. For Pearl 1000 scenarios were used.

The chart below is used to demonstrate that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (this test is referred to as the "one=one" test). Given that the chart is the result of calculating the expected value via simulation, a margin for error is expected. The observed error is small and the scenarios are considered to pass the no-arbitrage test.

It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. In a market-consistent model, the expected value (or average discounted value) of £1 invested



The results shown above are better than might be expected from a naïve simulation given the number of scenarios used. The scenario generation process incorporates extensive rejection testing and other variance reduction techniques to ensure that the scenarios selected pass the no-arbitrage test to a close tolerance.

The second test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. We have carried out this test separately for swaptions, equity, property and overseas equity options and the initial yield curve.

The following Tables show the results of this test for the prices of the hybrid swaptions used in the calibration process and actual swaptions using the swap curve as the risk free rate. The tables express the simulated value as a percentage of the theoretical value. As with the “no-arbitrage” test described above, this test is the result of a simulation and therefore some error is expected. However the observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. As such we conclude that the scenarios are market consistent.

**TABLE 10A**

**Ratio of simulated to hybrid market swaption prices (using Gilt base curve as discount rate)**

		Swap Length						
		5	7	10	15	20	25	30
Option Maturity	5	98.5%	98.6%	95.8%	97.2%	99.4%	98.2%	97.4%
	7	97.7%	95.3%	95.0%	98.2%	100.0%	99.5%	98.3%
	10	94.0%	94.6%	96.3%	100.1%	100.4%	99.7%	99.1%
	15	104.6%	105.9%	104.6%	104.1%	102.2%	101.1%	100.0%
	20	111.1%	105.7%	105.7%	102.6%	100.5%	98.9%	96.9%
	25	103.6%	101.6%	100.6%	97.7%	96.3%	95.3%	93.8%
	30	104.4%	101.2%	99.5%	97.0%	95.4%	95.3%	93.7%

**TABLE 10B**

**Ratio of simulated to actual market swaption prices (using swaps as discount rate)**

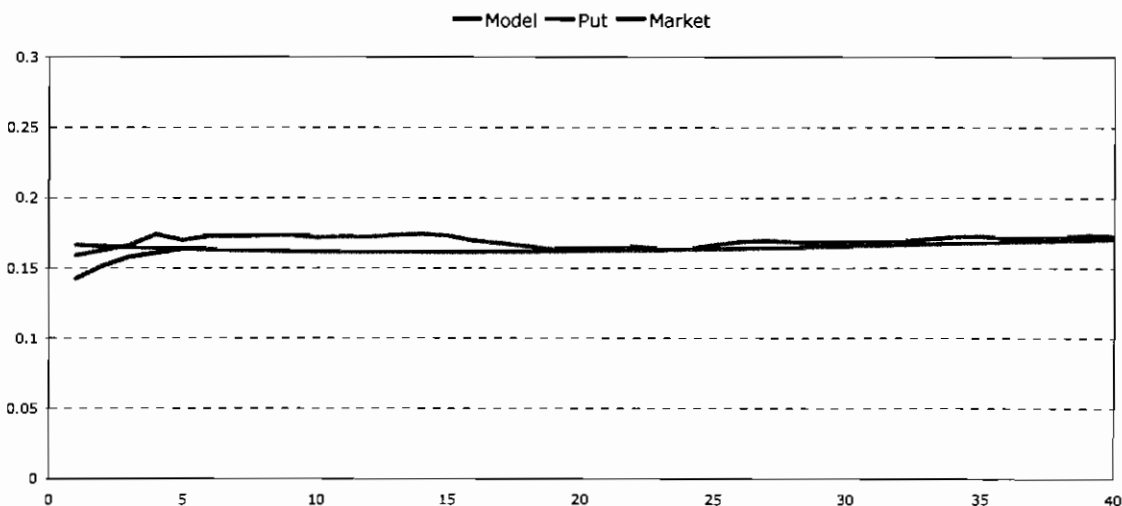
		Swap Length						
		5	7	10	15	20	25	30
Option Maturity	5	94.3%	95.7%	95.5%	96.2%	98.3%	96.6%	96.1%
	7	96.4%	96.2%	96.3%	98.0%	99.6%	98.6%	97.9%
	10	98.7%	98.3%	97.8%	100.9%	100.1%	99.7%	99.7%
	15	101.3%	102.6%	102.0%	100.7%	99.9%	99.9%	99.7%
	20	109.3%	103.3%	102.1%	100.7%	100.2%	99.7%	98.2%
	25	97.9%	97.1%	98.5%	98.0%	97.9%	97.5%	96.3%
	30	106.7%	104.6%	103.8%	102.2%	100.7%	100.7%	99.1%

The tables demonstrate the model output provides a reasonable fit to durations of between 10 and 20 years, shown shaded, to closely match Pearl’s liabilities.



The chart below shows the results for the market price test applied to at the money equity put and call options. The short (red) line shows the market volatilities used to calibrate the model. The calibration is weighted heavily to the 10 to 20 year equity volatility. The smooth (blue) line shows the volatility implied by the theoretical put option price calculated from the model (chosen to be consistent with the market volatility as explained above). The irregular (purple) line shows the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that market consistency is satisfied.

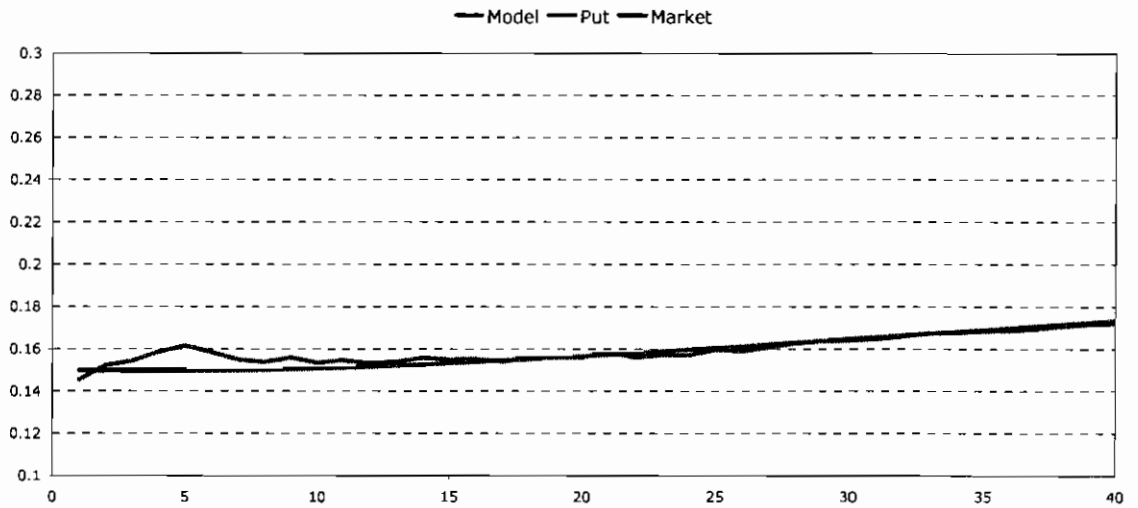
Equity Option Implied Volatility - Pearl Gilts+10bp Base  
29 December 2006 1st 1000 Scenarios



As explained above the property volatility has not been calibrated to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, we can demonstrate the fit to the volatility assumption of 15% mentioned above.

The chart below shows the results for the property index option test. The short (red) line shows the assumed volatility of 15 % which as been used to calibrate the model. The smooth (blue) line shows the volatility implied by the theoretical put option price on the property index calculated from the model. The irregular (purple) line shows the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

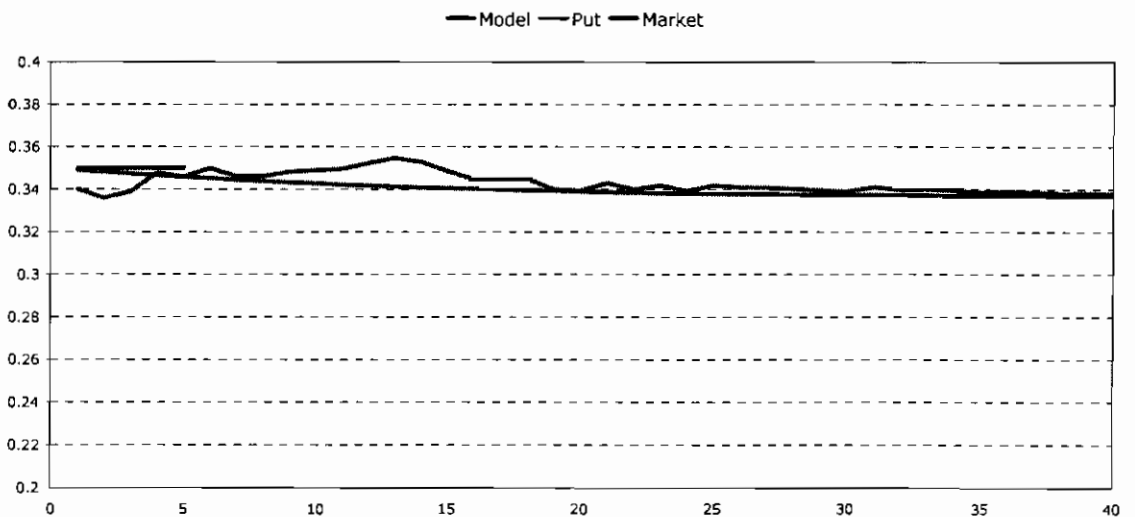
Property Option Implied Volatility - Pearl Gilts+10bp Base  
29 December 2006 1st 1000 Scenarios



As explained above we have not calibrated the overseas equity volatility to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, we can demonstrate the fit to the volatility assumption of 35% mentioned above.

The chart below shows the results for the overseas equity index option test. The short (red) line shows the assumed volatility of 35 % which has been used to calibrate the model. The smooth (blue) line shows the volatility implied by the theoretical put option price on the overseas equity index calculated from the model. The irregular (purple) line shows the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

Overseas Equity Option Implied Volatility - Pearl Gilts+10bp Base  
29 December 2006 1st 1000 Scenarios



The table below shows the fit of the scenarios to the initial yield curve. The yield curve is derived from the implied zero curve. Here, we compare the simulated price of a risk free bond with its price as implied by the zero curve. The ratio of simulated to market price can be seen to be very close to unity.

<b>Ratio of simulated to market initial yield curve</b>	
<b>Term of Bond</b>	<b>Ratio of simulated to market price</b>
1	99.9%
5	99.7%
10	99.3%
15	100.0%
20	99.9%
25	100.4%
30	100.2%
35	100.0%
40	100.0%

(a)(viii) Simulations were performed using 1,000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a)(vii) above.

(b) Not applicable.

(c) Not applicable.

(5) (a) The following management actions are assumed when determining the realistic balance sheet:

- The asset mix of the with-profits fund is moved to the intended long-term asset mix, immediately following the valuation date.
- Bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
- If the working capital burns-through the assets in the Pacific fund in either the base or the risk capital margin scenario, the assets of the with-profits fund are moved into gilts and cash. This management action was not required at 31 December 2006.

(b) The following tables set out the proportion of the assets backing the with-profits benefit reserve which would consist of equities (UK and non-UK) and annual bonus rates that would be modelled under the three different assumed risk-free curves.

#### **Projected Equity Proportions – Scenarios (i), (ii) and (iii)**

	<b>Equity Proportion</b>	
	<b>Accumulating with-profits</b>	<b>Conventional with-profits</b>
(i) Risk free interest rate curve - At 31 December 2006	35.5%	35.5%
(i) Risk free interest rate curve - End 5 years	32.2%	32.2%
(i) Risk free interest rate curve - End 10 years	28.1%	28.1%

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**Projected Equity Proportions – Scenarios (i), (ii) and (iii)**

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	Equity Proportion	
	Accumulating with-profits	Conventional with-profits
(ii) Risk free interest rate curve + 17.5% - At 31 December 2006	35.5%	35.5%
(ii) Risk free interest rate curve + 17.5% - End 5 years	32.2%	32.2%
(ii) Risk free interest rate curve + 17.5% - End 10 years	28.1%	28.1%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2006	35.5%	35.5%
(iii) Risk free interest rate curve – 17.5% - End 5 years	32.2%	32.2%
(iii) Risk free interest rate curve – 17.5% - End 10 years	28.1%	28.1%

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## Projected Annual Bonus Rates - Scenarios (i), (ii) and (iii)

	Direct Unitised Accumulating With-profits business <sup>(1)</sup>				Non Unitised Accumulating With-profits Business (%)	Reassurance Accepted Unitised Accumulating With-profits business Life (%)
	Life (%)	Pensions (%)	Bonus Account (%)	ISA (%)		
(i) Risk free interest rate curve - At 31 December 2006	1.5 / 0.8	3.5 / 1.8	2.0 / 1.0	2.9 / 1.5	0.0	1.0
(ii) Risk free interest rate curve - End 5 years	4.1 / 2.3	4.5 / 2.2	2.5 / 1.2	3.0 / 1.5	3.6	1.0
(iii) Risk free interest rate curve - End 10 years	3.5 / 2.0	3.8 / 1.9	1.8 / 0.9	2.0 / 1.0	5.1	1.0
(i) Risk free interest rate curve +17.5% - At 31 December 2006	1.5 / 0.8	3.5 / 1.8	2.0 / 1.0	2.9 / 1.5	0.0	1.0
(ii) Risk free interest rate curve +17.5% - End 5 years	4.1 / 2.3	4.4 / 2.2	2.5 / 1.2	3.1 / 1.5	3.4	1.0
(iii) Risk free interest rate curve +17.5% - End 10 years	3.8 / 2.1	4.2 / 2.1	2.1 / 1.1	2.4 / 1.2	4.6	1.0
(i) Risk free interest rate curve -17.5% - At 31 December 2006	1.5 / 0.8	3.5 / 1.8	2.0 / 1.0	2.9 / 1.5	0.0	1.0
(ii) Risk free interest rate curve -17.5% - End 5 years	2.7 / 1.5	2.7 / 1.3	1.2 / 0.6	1.6 / 0.8	3.5	1.0
(iii) Risk free interest rate curve -17.5% - End 10 years	2.5 / 1.4	3.0 / 1.5	1.1 / 0.6	1.3 / 0.7	3.8	1.0

<sup>(1)</sup> Bonus rates given are the high and low bonus rates.

- (6) The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product	Average paid-up / lapse rate for the policy years	Average paid-up / lapse rate for the policy years			
		1- 5	6-10	11-15	16-20
Conventional With-profits Life business regular premium	PUP	1.0	1.0	1.0	1.0
Conventional With-profits Life business regular premium	lapse	4.5	4.5	4.5	4.5
Conventional With-profits Life business single premium	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business regular premium	PUP	2.5	2.5	2.5	2.5
Conventional With-profits Pensions business regular premium (1)	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business single premium	lapse	1.0	1.0	1.0	1.0
Conventional With-profits Industrial Branch business regular premium	PUP	0.0	0.0	0.0	0.0
Conventional With-profits Industrial Branch business regular premium	lapse	0.0	0.0	0.0	0.0
Non Unitised Accumulating With-profits business	PUP	9.0	9.0	9.0	9.0
Non Unitised Accumulating With-profits business	lapse	4.0	4.0	4.0	4.0
Direct Unitised With-profits Life business regular premium	PUP	3.0	3.0	3.0	3.0
Direct Unitised With-profits Life business regular premium	lapse	15.0	15.0	15.0	15.0
Direct Unitised With-profits Life business single premium (2)	lapse	18.0	See note (3)	23.0	23.0
Direct Unitised With-profits Pensions business regular premium	PUP	10.0	10.0	10.0	10.0
Direct Unitised With-profits Pensions business regular premium	lapse	7.0	7.0	7.0	7.0
Direct Unitised With-profits Pensions business single premium	lapse	7.0	7.0	7.0	7.0
Direct Unitised With-profits business ISA and Bonus Account	PUP	10.0	10.0	10.0	10.0
Direct Unitised With-profits business ISA and Bonus Account	lapse	10.0	See note (4)	40.0	40.0
Reassurance Accepted Unitised Accumulating with-profits Life Business	lapse	See note (5)	See note (5)	18.0	18.0

(1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.

(2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.

(3) Lapse rate of 38% per annum in year 6 and 23% per annum thereafter.

(4) Lapse rate of 50% per annum in year 6 and 40% per annum thereafter.

(5) Lapse rates in years 1-5 of 2%, 5%, 8%, 10% and 20% per annum respectively. Lapse rates in year 6 of 25% per annum and 18% per annum thereafter.

The annuitant mortality and take-up rate assumptions are shown in the following tables.

	Projection Basis	
	Male	Female
Conventional With-profits Pensions business	75% AM80 Ultimate	75% AF80 Ultimate
Annuity Rate Guarantee – post vesting <sup>(1)</sup>	117.5% RMV92 projected	107.5% RFV92 projected

<sup>(1)</sup> with mortality improvements as maximum of 75% of the average of Medium and Long cohort improvements or CMIR17 improvements or 1%

Annuity Rate Guarantee Take-up rate Assumptions		
Tax free cash percentage	Self Employed Deferred Annuity	19%
	Other Deferred Annuity	13%
Take-up rate	Self Employed Deferred Annuity	100%
	Other Deferred Annuity	95%

(7) There is no allowance for any policyholder actions that would be taken by policyholders in the projection of the assets and the liabilities.

#### 7. Financing Costs

Not applicable.

## 8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

<b>Other Long-Term Insurance Liabilities at 31 December 2006 (£m)</b>	
<b>Liability</b>	<b>Value</b>
Pensions misselling	420
Other misselling provisions	5
Value of future profits from direct unitised accumulating with-profits business	(0)
Value of future profits from reinsurance accepted unitised with-profits business	(7)
Value of future shareholder transfers from direct unitised accumulating with-profits business	25
Value of future shareholder transfers from distribution of estate	49
Value of investment fees	74
Value of future tax charges levied	99
<b>Total</b>	<b>665</b>

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly.'

## 9. Realistic Current Liabilities

The realistic current liabilities were £293m which is equal to the regulatory current liabilities. The following table gives a breakdown of the realistic and regulatory current at 31 December 2006.

<b>Current liabilities at 31 December 2006 (£m)</b>	
<b>Liability</b>	<b>Value</b>
Outstanding claims	64
Other provisions	31
Creditors	132
Accruals and deferred income	1
Deferred tax liability	65
<b>Total Realistic / Regulatory Current liabilities</b>	<b>293</b>



## 10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2006 was zero.

The most onerous scenario is that which combines:

- (i) 20% fall in equity values; 12.5% fall in property values.
  - (ii) 17.5% fall in yield curve (UK assets), equivalent to a 0.81% nominal change in the long term gilt yield from 4.62% to 3.81%. US bond yields are reduced by 0.86%. Eurozone bond yields are reduced by 0.70%.
  - (iii) The average change in spreads for bonds was +165 basis points (weighted by value), resulting in a 6.4% fall in bond asset value. The fall in market value for swaps and swaptions was 8.4%.
  - (iv) The persistency risk scenario did not result in any change in the realistic value of liabilities.
  - (v) Not applicable.
- (b)
- (i) No additional management actions to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.
  - (ii) Not applicable.
  - (iii) Not applicable.
  - (iv) Not applicable.
- (c)
- (i) Not applicable.
  - (ii) Not applicable.

## 11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates are 20% on savings income and indexed capital gains (before allowance for deferral of gains) and nil on franked income. Tax relief on expenses is assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

## 12. Derivatives

The with-profit fund holds the following major derivative positions:

- Purchased FTSE 100 Call Option with nominal exposure of £108m and strike price of 9025.
- A portfolio of purchased swaptions with nominal exposure of £785m. The options have maturity dates spread over the next 13 years. The underlying swaps entitle Pearl to receive the strike rate in exchange for the floating swap rate over a term of 15 years. The average strike rate was 5.1%.
- A portfolio of purchased swaptions with nominal exposure of £958m. The options have maturity dates spread over the next 24 years. The underlying swaps entitle Pearl to receive the floating rate in exchange for the strike rate over a term of 20 years. The average strike rate was 8.1%.
- A swap arrangement in which Pearl pays the coupons and maturity proceeds from an earmarked portfolio of gilts worth £330m, in return for a set of pre-defined inflation indexed cashflows over the next 50 years.
- A portfolio of interest rate swaps with nominal exposure of £1,374m in which Pearl pays floating rate coupons and receives fixed rate coupons. The average term to maturity is 21 years and the average rate of the fixed coupons is 4.5%.
- A portfolio of interest rate swaps with nominal exposure of £467m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to maturity is 9 years and the average rate of the fixed coupons is 4.6%.
- A portfolio of overseas interest rate swaps with nominal exposure of £820m where Pearl pays floating rate coupons and receives fixed rate coupons. The average term to maturity is 7 years and the average of the fixed coupons is 4.9%.
- A portfolio of overseas interest rate swaps with nominal exposure of £758m where Pearl pays fixed rate coupons and receives floating rate coupons. The average term to maturity is 8 years and the average of the fixed coupons is 5.0%.
- A portfolio of UK gilt and bond futures worth £51m.
- A portfolio of overseas gilt and bond futures worth (£382m).
- A portfolio of UK equity futures worth £132m.

## 13. Analysis of Working Capital

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### Analysis of Movement in Working Capital (£m)

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With-Profits Fund Working Capital at 31 December 2005	0
Undo zeroisation to Opening working capital	356
Opening Adjustments	77
Investment management	19
Insurance variance	165
Insurance assumption changes	(101)
Unexplained	2

<b>Analysis of Movement in Working Capital (£m)</b>	
Planned Enhancements reserve	(442)
Investment Expenses on planned enhancements	(9)
Tax Element on planned enhancements	(18)
Shareholders transfers on planned enhancements	(49)
<b>Reported Working Capital at 31 December 2006</b>	<b>0</b>

**14. Optional Disclosure**

Not applicable.

## Returns under the Accounts and Statements Rules

### Statement required under rule 9.32

**PEARL ASSURANCE LIMITED**  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

### Global Business

### Financial year ended 31 December 2006

#### Reinsurance contracts entered into in the year

No outward contracts of non-facultative reinsurance were entered into or modified during the financial year.

#### Reinsurance premiums ceded in the year

	Reporting category	Non- facultative reinsurance £'000
261	Commercial property (including livestock and crops but excluding energy)	1

All premiums ceded relate to non facultative reinsurance.

**Returns under the Accounts and Statements Rules**

**Additional information on financial reinsurance and financing arrangements: general insurers required by rule 9.32A**

**PEARL ASSURANCE LIMITED  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

**Global Business**

**Financial year ended 31 December 2006**

The insurer has no contracts of insurance which meet the conditions in rule 9.32A (2).

The determination of whether a contract of insurance meets one or both of the conditions in 9.32A (2) is arrived at after taking appropriate internal and external advice regarding the insurer's future commitments to make payments in respect of each contract relative to the economic value provided by that contract. A significant component in the determination referred to above is advice taken from external actuarial advisors to confirm the adequacy of the level of cover provided by the contract of insurance. Information gathered from ongoing monitoring of the reinsurers' financial position for each contract of insurance is also brought into consideration.

## Returns under the Accounts and Statements Rules

### Certificate required by rule 9.34(1)

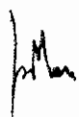
**PEARL ASSURANCE LIMITED**  
(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

### Global Business

### Financial year ended 31 December 2006

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and  
(b) the directors are satisfied that:
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and either PRU or GENPRU and INSPRU as applicable; 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 the directors' opinion, premiums for contracts 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 in question 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;  
(c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and  
(d) the directors have, in preparing the return, taken and paid due regard to:
  - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



J S Moss  
Managing Director



J S B Smith  
Director



J R Cusins  
Director

Date: 28 March 2007

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

### **Independent auditors' report to the directors pursuant to rule 9.35**

#### **PEARL ASSURANCE LIMITED**

**(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)**

#### **Global business**

#### **Financial year ended 31 December 2006**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of the Interim Prudential Sourcebook for Insurers, the General Prudential Sourcebook and the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000.

- Forms 1 to 3, 11 to 25, 28 to 31, 36 to 44, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rules 9.25, 9.26, 9.27 and 9.29 ("the statements"); and
- the reports required by rule 9.31("the valuation reports");

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

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes);
- the statements required by rules 9.30, 9.32 and 9.36; and
- the certificate signed in accordance with rule 9.34(1)

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

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction referred to in supplementary note 201. Under rule 9.11 the Forms, the statement, and the valuation reports are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statements and the valuation reports meet these requirements and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept proper accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rule

Independent auditors' report to the directors pursuant to rule 9.35 (continued)

PEARL ASSURANCE LIMITED

(FORMERLY PEARL ASSURANCE PUBLIC LIMITED COMPANY)

Global business

Financial year ended 31 December 2006

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on March 2007. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements and the valuation reports.

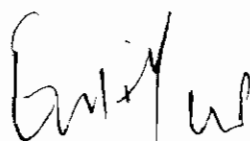
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused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

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

Opinion

In our opinion:

- (a) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports required by rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP  
Registered Auditor  
London

Date 7 March 2007