

PHOENIX LIFE ASSURANCE LIMITED

Annual PRA Insurance Returns for the year ended

31 December 2014

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

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Statement of solvency - long-term insurance businessName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	1419	GL	31	12	2014	£000
					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	1656853	1536018
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	460854	597791
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2117707	2133808

Guarantee fund

Guarantee fund requirement	21	247254	232147
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1870453	1901662

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	370137	346439
Resilience capital requirement	32		
Base capital resources requirement	33	2902	3146
Individual minimum capital requirement	34	370137	346439
Capital requirements of regulated related undertakings	35	123875	116667
Minimum capital requirement (34+35)	36	494012	463106
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1870701	1902256
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1747198	1786479

Enhanced capital requirement

With-profits insurance capital component	39	1189355	1075827
Enhanced capital requirement	40	1683367	1538933

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1683367	1538933
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	434340	594876

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 **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

R3	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2014	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Core tier one capital

Permanent share capital	11		342109	342109	342109
Profit and loss account and other reserves	12		457552	457552	675745
Share premium account	13		40716	40716	40716
Positive valuation differences	14		1189645	1189645	1029281
Fund for future appropriations	15		335098	335098	329776
Core tier one capital in related undertakings	16		25337	25337	17355
Core tier one capital (sum of 11 to 16)	19		2390457	2390457	2434982

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		2390457	2390457	2434982
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		94819	94819	116049
Deductions from tier one (32 to 36)	37		94819	94819	116049
Total tier one capital after deductions (31-37)	39		2295639	2295639	2318933

Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2014	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52		233562	233562	250000
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		233562	233562	250000

Total tier two capital before restrictions (49+59)	61		233562	233562	250000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		233562	233562	250000

Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

R3	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2014	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		2529201	2529201	2568933
Inadmissible assets other than intangibles and own shares	73		5427	5427	1322
Assets in excess of market risk and counterparty limits	74		406067	406067	433802
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		2117707	2117707	2133808

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2117707	2117707	2133808
Available capital resources for 50% MCR requirement	82		2117707	2117707	2133808
Available capital resources for 75% MCR requirement	83		2117707	2117707	2133808

Financial engineering adjustments

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	1419	GL	31	12	2014	£000
				This financial year		Previous year	
				1		2	
Gross premiums written			11			1049	1102
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			1049	1102
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			994	1030
Sub-total A (13 + 1/2 14 - 2/3 15)			16			386	415
Gross premiums earned			21			1052	1102
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			1052	1102
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			997	1030
Sub-total H (23 + 1/2 24 - 2/3 25)			26			387	415
Sub-total I (higher of sub-total A and sub-total H)			30			387	415
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			70	75
	Excess (if any) over 61.3M EURO x 0.02		33				
Sub-total J (32-33)			34			70	75
Claims paid in period of 3 financial years			41			1829	1823
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			1003	2017
	For insurance business accounted for on an accident year basis		43			2644	2559
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			2742	3368
	For insurance business accounted for on an accident year basis		45			2316	2441
Sub-total C (41+42+43-44-45)			46			418	589
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
Sub-total D (46-47)			48			418	589
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			1.00	1.00
Premiums amount (Sub-total J x reinsurance ratio)			50			70	75
Provision for claims outstanding (before discounting and net of reinsurance)			51			3629	4091
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53			106	120
Greater of lines 50 and 53			54			106	120

Calculation of general insurance capital requirement - claims amount and result

 Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2014	£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	1829		1823	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	1003		2017	
	For insurance business accounted for on an accident year basis			23	2644		2559	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	2742		3368	
	For insurance business accounted for on an accident year basis			25	2316		2441	
Claims incurred in reference period (21+22+23-24-25)				26	418		589	
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	1529		1311	
Sub-total E (26 +1/2 27 - 2/3 28)				29	(601)		(285)	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	(200)		(95)	
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	(52)		(25)	
	Excess (if any) over 42.9M EURO x 0.03			33				
Sub-total G (32-33)				39	(52)		(25)	
Claims amount Sub-total G x reinsurance ratio (11.49)				41	(52)		(25)	
Higher of premiums amount and brought forward amount (11.54)				42	106		120	
General insurance capital requirement (higher of lines 41 and 42)				43	106		120	

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

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	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	20935	66492
	Debts and loans	22	50000	50000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	250	250
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	131369	142655
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	12520	10107
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	136806	206866
Rights under derivative contracts	44	6965	17957
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

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	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	11629	7774
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2349	384
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	29	11
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	3403	321

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	376254	502817
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

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	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	376254	502817
Admissible assets in excess of market and counterparty limits	92	406067	433803
Inadmissible assets directly held	93	4287	
Capital resources requirement deduction of regulated related undertakings	94	123875	116667
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	23080	31799
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	41154	79816
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	133751	142587
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	1108468	1307489
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	50001	50011

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

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	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		4575	9768	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22	39000	52000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	11324	12018
	Debts and loans	26	614	575
Other group undertakings	Shares	27		
	Debts and loans	28	5875	32836
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	608997	545365	
Other shares and other variable yield participations	42		1050	
Holdings in collective investment schemes	43	4613776	5717618	
Rights under derivative contracts	44	1058773	529440	
Fixed interest securities	Approved	45	4199717	3186540
	Other	46	1138970	2379597
Variable interest securities	Approved	47	710843	872741
	Other	48	865133	282322
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	9479	10285	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	16102	13224
	Property linked	59	335911	337659

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

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	2014	£000	10
					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	250	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	1116	2222
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	426357	406248
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	49605	57717
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	70979	83417
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		37

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	14167395	14532681
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

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	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	14167395	14532681
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	994	1322
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	1040	2371
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1678416	1604390
Other asset adjustments (may be negative)	101	(119407)	(154568)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	15728438	15986195
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	41122	71673

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **90:10 Pearl With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		4575	9768	

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	11324	12018
	Debts and loans	26	614	575
Other group undertakings	Shares	27		
	Debts and loans	28	5875	5875
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	489138	470312	
Other shares and other variable yield participations	42		1050	
Holdings in collective investment schemes	43	3827712	4672658	
Rights under derivative contracts	44	729160	330957	
Fixed interest securities	Approved	45	2081724	1337331
	Other	46	15889	878190
Variable interest securities	Approved	47	552700	738857
	Other	48	193915	138776
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	6779	7344	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	24	110

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **90:10 Pearl With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£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		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	238	1107
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	394488	330411
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	27699	33469
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	19453	33584
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		19

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	8361307	9002411
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **90:10 Pearl With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£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 of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	8361307	9002411
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	140	220
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	726	817
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	6917	6518
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	8369089	9009967
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		15421

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **100:0 SERP Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	14
					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	181067	192616	
Rights under derivative contracts	44	118367	76557	
Fixed interest securities	Approved	45	864477	731223
	Other	46	222239	213928
Variable interest securities	Approved	47		12204
	Other	48	13607	22570
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **100:0 SERP Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	116	1422
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	663	3963
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11628	10821
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		6

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1412164	1265309
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **100:0 SERP Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1412164	1265309
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(88916)	(91836)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	1323248	1173474
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **100:0 London Life With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	15
					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	4869	1353	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	140842	238673	
Rights under derivative contracts	44	32433	31397	
Fixed interest securities	Approved	45	371201	396129
	Other	46	140609	133469
Variable interest securities	Approved	47		2941
	Other	48	19144	14897
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	2700	2941	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **100:0 London Life With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	277	89
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	23883	38646
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1556	5627
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6493	7067
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		12

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	744008	873243
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **100:0 London Life With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	744008	873243
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	839	811
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	5700	7329
Other asset adjustments (may be negative)	101	(30520)	(62115)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	720027	819268
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		118

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **0:100 Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£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	39000	52000
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		26960
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	114989	73700	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	464155	613671	
Rights under derivative contracts	44	178813	90529	
Fixed interest securities	Approved	45	882315	721857
	Other	46	760233	1154010
Variable interest securities	Approved	47	158142	118740
	Other	48	638466	106079
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	16102	13224
	Property linked	59	335887	337549

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **0:100 Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£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	250	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	601	1027
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	7870	35768
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	19687	14658
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	33406	31945
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	3649917	3391717
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**

Category of assets **0:100 Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2014	£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 of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3649917	3391717
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	15	291
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	314	1554
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1665799	1590542
Other asset adjustments (may be negative)	101	30	(618)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	5316074	4983487
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	41122	56134

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**Total business/Sub fund **Summary**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	9245189	8580321	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	135	135	
Balance of surplus/(valuation deficit)	13	147421	147421	
Long term insurance business fund carried forward (11 to 13)	14	9392746	8727878	
Claims outstanding	Gross	15	36094	68423
	Reinsurers' share	16		
	Net (15-16)	17	36094	68423
Provisions	Taxation	21	7494	14282
	Other risks and charges	22	2724	4001
Deposits received from reinsurers	23	1800698	1776409	
Creditors	Direct insurance business	31	383	325
	Reinsurance accepted	32		
	Reinsurance ceded	33	238	215
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	52522	22381
	Other	38	1330251	2492709
Accruals and deferred income	39	6861	9508	
Provision for "reasonably foreseeable adverse variations"	41	27859	27859	
Total other insurance and non-insurance liabilities (17 to 41)	49	3265219	4416207	
Excess of the value of net admissible assets	51	1509431	1388596	
Total liabilities and margins	59	14167395	14532681	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	993	14673
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	335911	337659

Total liabilities (11+12+49)	71	12510543	12996664
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1678416	1604390
Other adjustments to liabilities (may be negative)	74	1186464	1033734
Capital and reserves and fund for future appropriations	75	353015	351408
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	15728438	15986195

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **90:10 Pearl With-Profits Fund**
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	5667748	5417538	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	107421	107421	
Long term insurance business fund carried forward (11 to 13)	14	5775169	5524960	
Claims outstanding	Gross	15	20536	54932
	Reinsurers' share	16		
	Net (15-16)	17	20536	54932
Provisions	Taxation	21	157	
	Other risks and charges	22	2474	3451
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	46	55
	Reinsurance accepted	32		
	Reinsurance ceded	33	6	7
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	27987	
	Other	38	991796	1995166
Accruals and deferred income	39	5751	7291	
Provision for "reasonably foreseeable adverse variations"	41	27859	27859	
Total other insurance and non-insurance liabilities (17 to 41)	49	1076707	2088856	
Excess of the value of net admissible assets	51	1509431	1388596	
Total liabilities and margins	59	8361307	9002411	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	467	13904
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	24	110

Total liabilities (11+12+49)	71	6744455	7506395
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6917	6518
Other adjustments to liabilities (may be negative)	74	1282620	1167278
Capital and reserves and fund for future appropriations	75	335098	329776
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	8369089	9009967

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **100:0 SERP Fund**
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	1285257	1132053	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5000	5000	
Long term insurance business fund carried forward (11 to 13)	14	1290257	1137053	
Claims outstanding	Gross	15	5387	5389
	Reinsurers' share	16		
	Net (15-16)	17	5387	5389
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	308	244
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		1
	Other	38	115782	122232
Accruals and deferred income	39	430	390	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	121907	128256	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1412164	1265309	

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

Total liabilities (11+12+49)	71	1407164	1260309
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(83916)	(86836)
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	1323248	1173474

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **100:0 London Life With-Profits Fund**
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	665758	655174	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	135	135	
Balance of surplus/(valuation deficit)	13	5000	5000	
Long term insurance business fund carried forward (11 to 13)	14	670893	660310	
Claims outstanding	Gross	15	6758	3922
	Reinsurers' share	16		
	Net (15-16)	17	6758	3922
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	9	23
	Reinsurance accepted	32		
	Reinsurance ceded	33	35	16
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	9581	2765
	Other	38	56424	205064
Accruals and deferred income	39	307	1142	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	73115	212933	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	744008	873243	

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

Total liabilities (11+12+49)	71	739008	868243
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	5700	7329
Other adjustments to liabilities (may be negative)	74	(24681)	(56304)
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	720027	819268

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **0:100 Non Profit Fund**
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	1626426	1375556	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	30000	30000	
Long term insurance business fund carried forward (11 to 13)	14	1656426	1405556	
Claims outstanding	Gross	15	3413	4180
	Reinsurers' share	16		
	Net (15-16)	17	3413	4180
Provisions	Taxation	21	7337	14282
	Other risks and charges	22	250	550
Deposits received from reinsurers	23	1800698	1776409	
Creditors	Direct insurance business	31	20	3
	Reinsurance accepted	32		
	Reinsurance ceded	33	196	191
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	14954	19615
	Other	38	166249	170247
Accruals and deferred income	39	373	685	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	1993490	1986161	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	3649917	3391717	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	526	769
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	335887	337549

Total liabilities (11+12+49)	71	3619917	3361717
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1665799	1590542
Other adjustments to liabilities (may be negative)	74	12441	9595
Capital and reserves and fund for future appropriations	75	17917	21632
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	5316074	4983487

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

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	1419	GL	31	12	2014	£000
						As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49	35216	18364
Accruals and deferred income		51	2915	2188
Total (19 to 51)		59	38131	20552
Provision for "reasonably foreseeable adverse variations"		61	1142	1142
Cumulative preference share capital		62		
Subordinated loan capital		63	233562	250000
Total (59 to 63)		69	272836	271694

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	13173	(1142)
Capital and reserves	84	822459	1036937
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	1108468	1307489

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

Global business

Financial year ended **31 December 2014**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2014	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			69293	163180	
Investment income	Income		14			92519	8463	
	Value re-adjustments on investments		15			34751	7649	
	Gains on the realisation of investments		16			378	3039	
Investment charges	Investment management charges, including interest		17			8940	5133	
	Value re-adjustments on investments		18			84453		
	Loss on the realisation of investments		19			6027	19277	
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21			(666)	(4350)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			96855	153569	
Tax on profit or loss on ordinary activities			31			(2896)	(5132)	
Profit or loss on ordinary activities after tax (29-31)			39			99751	158701	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				4049	
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			99751	162750	
Dividends (paid or foreseeable)			51			166117	230600	
Profit or loss retained for the financial year (49-51)			59			(66367)	(67850)	

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**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	2014	£000	1
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12				8949			92330
	Inflation	13	5999						129700
	Credit index / basket	14				3378			364751
	Credit single name	15							
	Equity index	16	150			4761			105009
	Equity stock	17							
	Land	18							
	Currencies	19	817			157	6147		103011
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	6965			17246	6147		794801
Adjustment for variation margin		52							
Total (51 + 52)		53	6965			17246			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**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	2014	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	1079	1063	342768	55013			
	Interest rates	12	716339	947680	4306920	4371768			
	Inflation	13	26881	33299	200845	302172			
	Credit index / basket	14		1787		193240			
	Credit single name	15		420		25653			
	Equity index	16	1131	73	30503	1167			
	Equity stock	17							
	Land	18							
	Currencies	19	6220	11845	49449	990173			
	Mortality	20							
	Other	21	89338			978566			
In the money options	Swaptions	31	215772		573100				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	2012		534614				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	1058773	996167	7016764	5939185			
Adjustment for variation margin		52							
Total (51 + 52)		53	1058773	996167					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**Category of assets **0:100 Non Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2014	£000	12
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	132	330	301238	19529			
	Interest rates	12	176287	150927	1507321	873556			
	Inflation	13	63	130		7479			
	Credit index / basket	14		1787		193240			
	Credit single name	15		420		25653			
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	2331	3677	4978	441719			
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	178813	157271	1813537	1561176			
Adjustment for variation margin		52							
Total (51 + 52)		53	178813	157271					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**Category of assets **90:10 Pearl With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2014	£000	13
Derivative contracts					Value as at the end of this financial year			Notional amount as at the end of this financial year	
				Assets 1	Liabilities 2		Bought / Long 3	Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	946	671	41426	32917			
	Interest rates	12	505375	632968	1492944	2333492			
	Inflation	13	26672	33128	200845	281914			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	1131		30503				
	Equity stock	17							
	Land	18							
	Currencies	19	3857	8137	44421	544656			
	Mortality	20							
	Other	21	74072			803853			
In the money options	Swaptions	31	115579		362900				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	1529		400174				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	729160	674903	3377066	3192979			
Adjustment for variation margin		52							
Total (51 + 52)		53	729160	674903					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**Category of assets **100:0 SERP Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2014	£000	14
Derivative contracts					Value as at the end of this financial year			Notional amount as at the end of this financial year	
				Assets 1	Liabilities 2		Bought / Long 3	Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	0	62		103	2567		
	Interest rates	12	7172	114905		715540	703100		
	Inflation	13	10	9			3257		
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	31				1327		
	Mortality	20							
	Other	21	10960			139616			
In the money options	Swaptions	31	100194			210200			
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	118367	114976		1065460	710251		
Adjustment for variation margin		52							
Total (51 + 52)		53	118367	114976					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**Category of assets **100:0 London Life With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2014	£000	15
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	27505		48880		591115		461620
	Inflation	13	136			32			9522
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16				73			1167
	Equity stock	17							
	Land	18							
	Currencies	19		1		32		50	2471
	Mortality	20							
	Other	21		4307				35096	
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	484				134440		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	32433		49017		760701		474780
Adjustment for variation margin		52							
Total (51 + 52)		53	32433		49017				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **90:10 Pearl With-Profits Fund**Financial year ended **31 December 2014**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	11	8361307	9002411
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	156329	141554
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	6287	5680
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	8198690	8855177
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5511418	5275984
	Regulatory current liabilities of the fund	22	1076707	2088856
	Total (21+22)	29	6588125	7364840
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	221288	212472
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	6809413	7577312
Regulatory excess capital (19-39)		49	1389277	1277864

Realistic excess capital

Realistic excess capital	51		
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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)	61	1389277	1277864
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	199922	202037
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	1189355	1075827

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **100:0 SERP Fund**Financial year ended **31 December 2014**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	11	1412164	1265309
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	1412164	1265309
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1285257	1132053
	Regulatory current liabilities of the fund	22	121907	128256
	Total (21+22)	29	1407164	1260309
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	51415	45284
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	1458579	1305593
Regulatory excess capital (19-39)		49	(46415)	(40284)

Realistic excess capital

Realistic excess capital	51		
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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)	61	(46415)	(40284)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

With-profits insurance capital component for the fund

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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	11	744008	873243
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	744008	873243
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	665893	655310
	Regulatory current liabilities of the fund	22	73115	212933
	Total (21+22)	29	739008	868243
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	26895	26487
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	765904	894730
Regulatory excess capital (19-39)		49	(21895)	(21487)

Realistic excess capital

Realistic excess capital	51		
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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)	61	(21895)	(21487)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

With-profits fund **90:10 Pearl With-Profits Fund**

Financial year ended **31 December 2014**

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	8198690	8855177
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	56635	16410
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	8255325	8871586
Support arrangement assets	27		
Assets available to the fund (26+27)	29	8255325	8871586

Realistic value of liabilities of fund

With-profits benefit reserve	31	4734154	4662449	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	55800	52327
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	1326673	1103651
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	45461	(84136)
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	294254	160319
	Future costs of non-contractual commitments	42	110550	107411
	Future costs of financial options	43	372404	312400
	Future costs of smoothing (possibly negative)	44	748	(63657)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	357356	391554
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2472323	2148140	
Realistic current liabilities of the fund	51	1048848	2060998	
Realistic value of liabilities of fund (31+49+51)	59	8255325	8871586	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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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	62	8255325	8871586
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	8255325	8871586
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	200000	350000
Additional amount potentially available for inclusion in line 63	82	68817	69793

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 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	1412164	1265309
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
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	1412164	1265309
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1412164	1265309

Realistic value of liabilities of fund

With-profits benefit reserve	31	470894	475755	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		419
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		(638)
	Future costs of contractual guarantees (other than financial options)	41	729649	567770
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	88916	
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	799	93310
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	819363	661298	
Realistic current liabilities of the fund	51	121907	128256	
Realistic value of liabilities of fund (31+49+51)	59	1412164	1265309	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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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	62	1412164	1265309
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	1412164	1265309
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	200000	350000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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	744008	873243
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
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	744008	873243
Support arrangement assets	27		
Assets available to the fund (26+27)	29	744008	873243

Realistic value of liabilities of fund

With-profits benefit reserve	31	494082	487036	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	72086	107576
	Future costs of non-contractual commitments	42	3351	3995
	Future costs of financial options	43	68815	11329
	Future costs of smoothing (possibly negative)	44	949	(5669)
	Financing costs	45	29624	49900
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	1986	6141
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	176811	173273	
Realistic current liabilities of the fund	51	73115	212933	
Realistic value of liabilities of fund (31+49+51)	59	744008	873243	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 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	62	744008	873243
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	744008	873243
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	200000	350000
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	110175	162164
Investment income receivable before deduction of tax	12	305638	421399
Increase (decrease) in the value of non-linked assets brought into account	13	1270919	(440366)
Increase (decrease) in the value of linked assets	14	10903	42765
Other income	15	2334	1139
Total income	19	1699970	187101

Expenditure

Claims incurred	21	602701	672607
Expenses payable	22	65476	67089
Interest payable before the deduction of tax	23	2641	3076
Taxation	24	48936	9889
Other expenditure	25	246054	30867
Transfer to (from) non technical account	26	69293	163180
Total expenditure	29	1035102	946707

Business transfers - in	31		
Business transfers - out	32		21909
Increase (decrease) in fund in financial year (19-29+31-32)	39	664868	(781515)
Fund brought forward	49	8727878	9509394
Fund carried forward (39+49)	59	9392746	8727878

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	53448	59573
Investment income receivable before deduction of tax	12	138509	255348
Increase (decrease) in the value of non-linked assets brought into account	13	651121	(183776)
Increase (decrease) in the value of linked assets	14	12	(7)
Other income	15	278	212
Total income	19	843368	131349

Expenditure

Claims incurred	21	382029	446002
Expenses payable	22	46159	44007
Interest payable before the deduction of tax	23	2549	2561
Taxation	24	38090	3298
Other expenditure	25		
Transfer to (from) non technical account	26	17743	15898
Total expenditure	29	486570	511767

Business transfers - in	31		
Business transfers - out	32	106589	148078
Increase (decrease) in fund in financial year (19-29+31-32)	39	250209	(528495)
Fund brought forward	49	5524960	6053455
Fund carried forward (39+49)	59	5775169	5524960

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	4847	5387
Investment income receivable before deduction of tax	12	39368	23856
Increase (decrease) in the value of non-linked assets brought into account	13	225914	(110287)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	270129	(81044)

Expenditure

Claims incurred	21	75681	84310
Expenses payable	22	3512	3622
Interest payable before the deduction of tax	23	2	88
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	18828	29836
Total expenditure	29	98023	117857

Business transfers - in	31		
Business transfers - out	32	18902	47222
Increase (decrease) in fund in financial year (19-29+31-32)	39	153204	(246123)
Fund brought forward	49	1137053	1383177
Fund carried forward (39+49)	59	1290257	1137053

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	3432	4518
Investment income receivable before deduction of tax	12	24323	26952
Increase (decrease) in the value of non-linked assets brought into account	13	67077	(38512)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	94833	(7043)

Expenditure

Claims incurred	21	46341	54364
Expenses payable	22	2603	4936
Interest payable before the deduction of tax	23	76	211
Taxation	24	5371	(1393)
Other expenditure	25		
Transfer to (from) non technical account	26	12210	44037
Total expenditure	29	66602	102156

Business transfers - in	31	510	(809)
Business transfers - out	32	18157	22419
Increase (decrease) in fund in financial year (19-29+31-32)	39	10584	(132426)
Fund brought forward	49	660310	792736
Fund carried forward (39+49)	59	670893	660310

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	48449	92687
Investment income receivable before deduction of tax	12	103437	115243
Increase (decrease) in the value of non-linked assets brought into account	13	326806	(107790)
Increase (decrease) in the value of linked assets	14	10892	42772
Other income	15	2055	926
Total income	19	491639	143838

Expenditure

Claims incurred	21	98650	87931
Expenses payable	22	13202	14523
Interest payable before the deduction of tax	23	13	216
Taxation	24	5475	7984
Other expenditure	25	246054	30867
Transfer to (from) non technical account	26	20512	73407
Total expenditure	29	383906	214928

Business transfers - in	31	147718	227073
Business transfers - out	32	4580	30455
Increase (decrease) in fund in financial year (19-29+31-32)	39	250871	125529
Fund brought forward	49	1405556	1280026
Fund carried forward (39+49)	59	1656426	1405556

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Regular premiums	11	47241	36345		83586	91192
Single premiums	12	(335)	30719		30384	49950

Reinsurance - external

Regular premiums	13	3625	21		3647	4411
Single premiums	14					(19210)

Reinsurance - intra-group

Regular premiums	15	148			148	178
Single premiums	16					(6400)

Net of reinsurance

Regular premiums	17	43468	36323		79791	86604
Single premiums	18	(335)	30719		30384	75561

Total

Gross	19	46906	67064		113970	141142
Reinsurance	20	3773	21		3795	(21022)
Net	21	43133	67043		110175	162164

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Regular premiums	11	25072	28200		53271	59739
Single premiums	12		359		359	23

Reinsurance - external

Regular premiums	13	75			75	59
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	107			107	130
Single premiums	16					

Net of reinsurance

Regular premiums	17	24890	28200		53089	59550
Single premiums	18		359		359	23

Total

Gross	19	25072	28558		53630	59762
Reinsurance	20	182			182	190
Net	21	24890	28558		53448	59573

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Regular premiums	11		4847		4847	5387
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		4847		4847	5387
Single premiums	18					

Total

Gross	19		4847		4847	5387
Reinsurance	20					
Net	21		4847		4847	5387

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Regular premiums	11	3082	891		3973	4727
Single premiums	12	4	(329)		(325)	(4)

Reinsurance - external

Regular premiums	13	165	10		175	158
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	41			41	47
Single premiums	16					

Net of reinsurance

Regular premiums	17	2876	881		3757	4522
Single premiums	18	4	(329)		(325)	(4)

Total

Gross	19	3086	562		3648	4724
Reinsurance	20	206	10		216	206
Net	21	2880	552		3432	4518

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Regular premiums	11	19087	2407		21494	21339
Single premiums	12	(339)	30690		30351	49931

Reinsurance - external

Regular premiums	13	3385	12		3396	4193
Single premiums	14					(19210)

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					(6400)

Net of reinsurance

Regular premiums	17	15703	2396		18098	17145
Single premiums	18	(339)	30690		30351	75541

Total

Gross	19	18748	33097		51845	71270
Reinsurance	20	3385	12		3396	(21417)
Net	21	15363	33086		48449	92687

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 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	64386	18706		83092	89146
Disability periodic payments	12	634			634	277
Surrender or partial surrender	13	48555	237292		285847	316117
Annuity payments	14	3383	209137		212519	252039
Lump sums on maturity	15	115950	44779		160729	205110
Total	16	232908	509914		742821	862689

Reinsurance - external

Death or disability lump sums	21	2408			2408	2582
Disability periodic payments	22	6			6	7
Surrender or partial surrender	23	429			429	280
Annuity payments	24					48250
Lump sums on maturity	25	6			6	3
Total	26	2850			2850	51123

Reinsurance - intra-group

Death or disability lump sums	31	874			874	592
Disability periodic payments	32					
Surrender or partial surrender	33	1392	(401)		991	824
Annuity payments	34		135218		135218	137315
Lump sums on maturity	35	188			188	228
Total	36	2453	134817		137270	138959

Net of reinsurance

Death or disability lump sums	41	61104	18706		79810	85972
Disability periodic payments	42	628			628	270
Surrender or partial surrender	43	46734	237693		284427	315013
Annuity payments	44	3383	73919		77301	66474
Lump sums on maturity	45	115756	44779		160535	204879
Total	46	227605	375096		602701	672607

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 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	48396	12658		61054	66530
Disability periodic payments	12					
Surrender or partial surrender	13	41484	146076		187561	209841
Annuity payments	14		4230		4230	4175
Lump sums on maturity	15	102278	27572		129850	165978
Total	16	192158	190537		382695	446524

Reinsurance - external

Death or disability lump sums	21	77			77	2
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	77			77	2

Reinsurance - intra-group

Death or disability lump sums	31	92			92	104
Disability periodic payments	32					
Surrender or partial surrender	33	709	(401)		308	189
Annuity payments	34					
Lump sums on maturity	35	188			188	228
Total	36	990	(401)		589	520

Net of reinsurance

Death or disability lump sums	41	48226	12658		60885	66424
Disability periodic payments	42					
Surrender or partial surrender	43	40775	146477		187252	209652
Annuity payments	44		4230		4230	4175
Lump sums on maturity	45	102090	27572		129662	165751
Total	46	191091	190938		382029	446002

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 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		3604		3604	2899
Disability periodic payments	12					
Surrender or partial surrender	13		60997		60997	65135
Annuity payments	14					
Lump sums on maturity	15		11080		11080	16276
Total	16		75681		75681	84310

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41		3604		3604	2899
Disability periodic payments	42					
Surrender or partial surrender	43		60997		60997	65135
Annuity payments	44					
Lump sums on maturity	45		11080		11080	16276
Total	46		75681		75681	84310

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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	6517	855		7372	9235
Disability periodic payments	12					
Surrender or partial surrender	13	5630	12513		18143	23423
Annuity payments	14	0	6150		6150	3138
Lump sums on maturity	15	12005	4881		16887	20514
Total	16	24153	24399		48551	56310

Reinsurance - external

Death or disability lump sums	21	309			309	735
Disability periodic payments	22					
Surrender or partial surrender	23	431			431	83
Annuity payments	24					
Lump sums on maturity	25	6			6	3
Total	26	746			746	821

Reinsurance - intra-group

Death or disability lump sums	31	781			781	489
Disability periodic payments	32					
Surrender or partial surrender	33	682			682	636
Annuity payments	34					
Lump sums on maturity	35					
Total	36	1464			1464	1124

Net of reinsurance

Death or disability lump sums	41	5427	855		6281	8011
Disability periodic payments	42					
Surrender or partial surrender	43	4517	12513		17030	22704
Annuity payments	44	0	6150		6150	3138
Lump sums on maturity	45	11999	4881		16881	20511
Total	46	21943	24399		46341	54364

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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	9474	1588		11062	10483
Disability periodic payments	12	634			634	277
Surrender or partial surrender	13	1441	17706		19147	17718
Annuity payments	14	3383	198757		202139	244726
Lump sums on maturity	15	1667	1246		2913	2342
Total	16	16597	219297		235894	275545

Reinsurance - external

Death or disability lump sums	21	2022			2022	1845
Disability periodic payments	22	6			6	7
Surrender or partial surrender	23	(2)			(2)	196
Annuity payments	24					48250
Lump sums on maturity	25					
Total	26	2026			2026	50299

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		135218		135218	137315
Lump sums on maturity	35					
Total	36		135218		135218	137315

Net of reinsurance

Death or disability lump sums	41	7451	1588		9040	8637
Disability periodic payments	42	628			628	270
Surrender or partial surrender	43	1443	17706		19149	17522
Annuity payments	44	3383	63539		66921	59161
Lump sums on maturity	45	1667	1246		2913	2342
Total	46	14571	84079		98650	87931

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 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		310	310	462
Management - acquisition	13				
Management - maintenance	14	19009	44726	63735	62756
Management - other	15	286	1145	1431	3870
Total	16	19295	46181	65476	67089

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		310	310	462
Management - acquisition	43				
Management - maintenance	44	19009	44726	63735	62756
Management - other	45	286	1145	1431	3870
Total	46	19295	46181	65476	67089

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 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	14007	31981	45987	41943
Management - other	15	(60)	232	172	2065
Total	16	13947	32213	46159	44007

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	14007	31981	45987	41943
Management - other	45	(60)	232	172	2065
Total	46	13947	32213	46159	44007

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 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		64	64	65
Management - acquisition	13				
Management - maintenance	14		3395	3395	3533
Management - other	15		54	54	24
Total	16		3512	3512	3622

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		64	64	65
Management - acquisition	43				
Management - maintenance	44		3395	3395	3533
Management - other	45		54	54	24
Total	46		3512	3512	3622

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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	769	1707	2476	4656
Management - other	15	43	84	127	281
Total	16	812	1791	2603	4936

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	769	1707	2476	4656
Management - other	45	43	84	127	281
Total	46	812	1791	2603	4936

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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		247	247	397
Management - acquisition	13				
Management - maintenance	14	4234	7643	11877	12625
Management - other	15	303	775	1078	1500
Total	16	4537	8665	13202	14523

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		247	247	397
Management - acquisition	43				
Management - maintenance	44	4234	7643	11877	12625
Management - other	45	303	775	1078	1500
Total	46	4537	8665	13202	14523

Long-term insurance business : Linked funds balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

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

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	2097	2664
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	333820	335150
Total assets (excluding cross investment) (11+12+ 13)	14	335916	337814
Provision for tax on unrealised capital gains	15	15	230
Secured and unsecured loans	16		
Other liabilities	17	14	35
Total net assets (14-15-16-17)	18	335887	337549

Directly held linked assets

Value of directly held linked assets	21	24	110
--------------------------------------	----	----	-----

Total

Value of directly held linked assets and units held (18+21)	31	335911	337659
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	335911	337659

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

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

Income

Value of total creation of units	11	390	2382
Investment income attributable to the funds before deduction of tax	12	8804	7959
Increase (decrease) in the value of investments in the financial year	13	10499	41440
Other income	14		
Total income	19	19693	51781

Expenditure

Value of total cancellation of units	21	18618	22795
Charges for management	22	2709	4002
Charges in respect of tax on investment income	23	14	27
Taxation on realised capital gains	24		22
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	15	231
Other expenditure	26		
Total expenditure	29	21356	27077

Increase (decrease) in funds in financial year (19-29)	39	(1662)	24704
Internal linked fund brought forward	49	337549	312846
Internal linked funds carried forward (39+49)	59	335887	337549

Long-term insurance business : Summary of new business

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2014**
 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				
Total	13				

**Amount of new regular
premiums**

Direct insurance business	21	59	54		113	282
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	59	54		113	282

**Amount of new single
premiums**

Direct insurance business	25	(335)	57		(278)	204
External reinsurance	26					
Intra-group reinsurance	27		30662		30662	49746
Total	28	(335)	30719		30384	49950

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2014

Units

£000

UK Life / Direct Insurance Business

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
100	Conventional whole life with-profits OB		2		4
365	Income protection non-profit (reviewable premiums)		42		
435	Miscellaneous non-profit		14		(339)
505	Life UWP whole life regular premium		0		

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2014

Units

£000

UK Pension / Direct Insurance Business

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
155	Conventional pensions endowment with-profits		13		285
435	Miscellaneous non-profit		3		
525	Individual pensions UWP				(255)
725	Individual pensions property linked		37		27

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2014**
 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	1067	14238			
Approved fixed interest securities	12	910796	1005811	30511	2.32	
Other fixed interest securities	13	781303	955666	32960	3.20	
Variable interest securities	14	800033	800096	1429	1.66	
UK listed equity shares	15	114989	127740		0.38	
Non-UK listed equity shares	16		19338		1.66	
Unlisted equity shares	17	40469	3876		0.08	
Other assets	18	811862	533754	6540	1.23	
Total	19	3460520	3460520	71440	2.16	

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

Land and buildings	21	3508	423395	103	0.02	7.30
Approved fixed interest securities	22	3330489	3749266	105763	2.05	18.33
Other fixed interest securities	23	379147	2223460	30416	3.16	15.22
Variable interest securities	24	780541	1011343	19214	3.17	16.42
UK listed equity shares	25	4869	505774		3.85	6.18
Non-UK listed equity shares	26		708384		1.66	6.16
Unlisted equity shares	27	459991	337713		0.08	14.37
Other assets	28	5396317	1395526	8849	0.18	0.45
Total	29	10354862	10354862	164346	2.06	13.06

Overall return on with-profits assets

Post investment costs but pre-tax	31					10.55
Return allocated to non taxable 'asset shares'	32					9.28
Return allocated to taxable 'asset shares'	33					6.70

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **12 0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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	894603	986612	30004	2.31	
Other fixed interest securities	13	775547	862288	32205	3.26	
Variable interest securities	14	800033	800096	1429	1.66	
UK listed equity shares	15	114989	115177			
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	712755	533754	6540	1.23	
Total	19	3297928	3297928	70177	2.15	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **13 90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 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	1067	14238			
Approved fixed interest securities	12	16194	19199	508	2.86	
Other fixed interest securities	13	5756	93378	755	2.64	
Variable interest securities	14					
UK listed equity shares	15		12563		3.87	
Non-UK listed equity shares	16		19338		1.66	
Unlisted equity shares	17	40469	3876		0.08	
Other assets	18	99107				
Total	19	162592	162592	1262	2.35	

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

Land and buildings	21	3508	420937			7.27
Approved fixed interest securities	22	2083371	2354406	62273	1.99	16.63
Other fixed interest securities	23	10403	1774590	14342	3.08	16.63
Variable interest securities	24	747299	975629	17600	3.13	16.63
UK listed equity shares	25		491584		3.87	6.15
Non-UK listed equity shares	26		701657		1.66	6.15
Unlisted equity shares	27	459991	337713		0.08	14.37
Other assets	28	4894118	1142172	8254	0.11	0.47
Total	29	8198690	8198690	102469	2.00	12.28

Overall return on with-profits assets

Post investment costs but pre-tax	31					11.84
Return allocated to non taxable 'asset shares'	32					10.23
Return allocated to taxable 'asset shares'	33					8.47

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP Fund**
 Financial year ended **31 December 2014**
 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					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19					

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

Land and buildings	21					
Approved fixed interest securities	22	872506	1020248	28466	2.33	25.32
Other fixed interest securities	23	225573	263770	9415	3.57	6.51
Variable interest securities	24	13796	16132	529	2.95	6.51
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	300288	112014	356	0.46	0.44
Total	29	1412164	1412164	38766	2.42	19.62

Overall return on with-profits assets

Post investment costs but pre-tax	31					8.61
Return allocated to non taxable 'asset shares'	32					8.69
Return allocated to taxable 'asset shares'	33					

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **15 100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19					

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

Land and buildings	21		2459	103	4.17	12.76
Approved fixed interest securities	22	374612	374612	15024	1.63	9.95
Other fixed interest securities	23	143171	185100	6660	3.34	14.14
Variable interest securities	24	19445	19581	1085	5.59	14.14
UK listed equity shares	25	4869	14189		3.39	7.18
Non-UK listed equity shares	26		6727		1.53	7.18
Unlisted equity shares	27		0			
Other assets	28	201911	141340	239	0.50	0.38
Total	29	744008	744008	23111	1.99	9.22

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.67
Return allocated to non taxable 'asset shares'	32					9.83
Return allocated to taxable 'asset shares'	33					9.42

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3638019	13.99	2.11	2.11
Other approved fixed interest securities	21	1117058	9.16	2.11	2.08
Other fixed interest securities					
AAA/Aaa	31	252433	8.62	2.44	2.34
AA/Aa	32	262008	9.27	3.12	2.80
A/A	33	1103412	9.71	3.12	2.65
BBB/Baa	34	1072307	8.32	3.27	2.33
BB/Ba	35	70978	5.80	4.03	1.40
B/B	36	339968	5.81	3.45	2.73
CCC/Caa	37	2954	4.47	4.43	0.53
Other (including unrated)	38	75066	4.64	3.26	2.82
Total other fixed interest securities	39	3179126	8.49	3.17	2.51
Approved variable interest securities	41	740673	17.26	2.04	1.96
Other variable interest securities	51	1070767	5.26	2.80	1.98
Total (11+21+39+41+51)	61	9745643	10.93	2.52	2.21

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **12 0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	310063	13.86	2.22	2.22
Other approved fixed interest securities	21	676549	9.82	2.35	2.33
Other fixed interest securities					
AAA/Aaa	31	90560	7.26	2.41	2.21
AA/Aa	32	74536	7.92	3.12	2.82
A/A	33	315943	8.78	3.21	2.78
BBB/Baa	34	855	2.23	6.82	2.50
BB/Ba	35	20676	2.37	2.75	0.77
B/B	36	336541	5.78	3.44	2.74
CCC/Caa	37	62			
Other (including unrated)	38	23116	6.62	5.65	4.34
Total other fixed interest securities	39	862288	7.16	3.26	2.70
Approved variable interest securities	41	158879	12.16	1.92	1.92
Other variable interest securities	51	641218	2.58	1.60	1.40
Total (11+21+39+41+51)	61	2648997	7.82	2.42	2.19

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **13 90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2098176	13.98	2.11	2.11
Other approved fixed interest securities	21	275430	5.55	1.20	1.20
Other fixed interest securities					
AAA/Aaa	31	83520	9.26	1.97	1.97
AA/Aa	32	94769	9.21	2.49	2.19
A/A	33	608690	9.84	2.95	2.47
BBB/Baa	34	1002952	8.17	3.22	2.28
BB/Ba	35	48518	7.22	4.61	1.69
B/B	36	3058	8.99	4.76	2.09
CCC/Caa	37				
Other (including unrated)	38	26461	4.65	2.11	2.11
Total other fixed interest securities	39	1867968	8.74	3.06	2.30
Approved variable interest securities	41	581794	18.65	2.08	1.97
Other variable interest securities	51	393836	9.05	4.60	2.75
Total (11+21+39+41+51)	61	5217203	11.81	2.58	2.16

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	884710	15.63	2.27	2.27
Other approved fixed interest securities	21	135538	13.16	2.68	2.61
Other fixed interest securities					
AAA/Aaa	31	59524	9.93	3.05	2.96
AA/Aa	32	49263	12.22	3.46	3.12
A/A	33	111093	12.22	3.71	3.20
BBB/Baa	34	30195	12.78	4.11	3.24
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	13695	2.30	3.87	3.76
Total other fixed interest securities	39	263770	11.25	3.57	3.17
Approved variable interest securities	41				
Other variable interest securities	51	16132	10.98	2.95	2.62
Total (11+21+39+41+51)	61	1300150	14.42	2.59	2.49

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **15 100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	345070	9.93	1.57	1.57
Other approved fixed interest securities	21	29542	9.27	2.33	2.27
Other fixed interest securities					
AAA/Aaa	31	18829	8.23	2.70	2.61
AA/Aa	32	43441	8.38	4.08	3.72
A/A	33	67685	8.74	3.17	2.72
BBB/Baa	34	38305	9.05	3.90	3.01
BB/Ba	35	1784	6.94	3.17	0.63
B/B	36	369	8.15	5.80	0.54
CCC/Caa	37	2893	4.57	4.53	0.54
Other (including unrated)	38	11794	3.45	0.43	0.36
Total other fixed interest securities	39	185100	8.25	3.34	2.79
Approved variable interest securities	41				
Other variable interest securities	51	19581	11.89	5.59	4.89
Total (11+21+39+41+51)	61	579294	9.43	2.31	2.11

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Form 51 - with-profits	11	812001	3386446		4198447	3905276
Form 51 - non-profit	12	86986	2881284		2968270	2631831
Form 52	13	444544	2810903		3255447	3148761
Form 53 - linked	14	26288	328051		354339	357119
Form 53 - non-linked	15	287	33869		34157	31243
Form 54 - linked	16	2245	94601		96846	95993
Form 54 - non-linked	17	7	1074		1081	806
Total	18	1372359	9536229		10908588	10171028

Reinsurance - external

Form 51 - with-profits	21	5695			5695	7324
Form 51 - non-profit	22	(5378)			(5378)	(5132)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1722			1722	1722
Form 54 - non-linked	27					
Total	28	2039			2039	3914

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	66	1573874		1573940	1495527
Form 52	33					
Form 53 - linked	34	18428			18428	19460
Form 53 - non-linked	35	188			188	192
Form 54 - linked	36		79022		79022	81046
Form 54 - non-linked	37					
Total	38	18682	1652897		1671578	1596225

Net of reinsurance

Form 51 - with-profits	41	806306	3386446		4192751	3897952
Form 51 - non-profit	42	92299	1307410		1399708	1141436
Form 52	43	444544	2810903		3255447	3148761
Form 53 - linked	44	7860	328051		335911	337659
Form 53 - non-linked	45	99	33869		33969	31051
Form 54 - linked	46	523	15579		16102	13224
Form 54 - non-linked	47	7	1074		1081	806
Total	48	1351638	7883332		9234970	8570888

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Form 51 - with-profits	11	596937	1661758		2258695	2131839
Form 51 - non-profit	12	22208	107426		129634	114767
Form 52	13	439584	2804061		3243645	3135883
Form 53 - linked	14	6959			6959	7191
Form 53 - non-linked	15	183	26671		26854	26864
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1065872	4599916		5665788	5416545

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					
Total	28					

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	6935			6935	7081
Form 53 - non-linked	35	183			183	187
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	7118			7118	7268

Net of reinsurance

Form 51 - with-profits	41	596937	1661758		2258695	2131839
Form 51 - non-profit	42	22208	107426		129634	114767
Form 52	43	439584	2804061		3243645	3135883
Form 53 - linked	44	24			24	110
Form 53 - non-linked	45		26671		26671	26677
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1058754	4599916		5658670	5409277

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Form 51 - with-profits	11		1285257		1285257	1132053
Form 51 - non-profit	12					
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		1285257		1285257	1132053

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					
Total	28					

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41		1285257		1285257	1132053
Form 51 - non-profit	42					
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		1285257		1285257	1132053

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

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

Gross

Form 51 - with-profits	11	215064	439430		654494	641383
Form 51 - non-profit	12		478		478	3105
Form 52	13	4960	6843		11803	12878
Form 53 - linked	14					
Form 53 - non-linked	15	5	3537		3542	3965
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	220029	450289		670317	661332

Reinsurance - external

Form 51 - with-profits	21	5695			5695	7324
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					
Total	28	5695			5695	7324

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	5			5	5
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	5			5	5

Net of reinsurance

Form 51 - with-profits	41	209368	439430		648799	634059
Form 51 - non-profit	42		478		478	3105
Form 52	43	4960	6843		11803	12878
Form 53 - linked	44					
Form 53 - non-linked	45		3537		3537	3960
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	214329	450289		664617	654003

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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	64778	2773380	2838158	2513958
Form 52	13				
Form 53 - linked	14	19329	328051	347380	349928
Form 53 - non-linked	15	99	3661	3760	413
Form 54 - linked	16	2245	94601	96846	95993
Form 54 - non-linked	17	7	1074	1081	806
Total	18	86458	3200768	3287226	2961098

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(5378)		(5378)	(5132)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1722		1722	1722
Form 54 - non-linked	27				
Total	28	(3656)		(3656)	(3410)

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32	66	1573874	1573940	1495527
Form 52	33				
Form 53 - linked	34	11493		11493	12379
Form 53 - non-linked	35				
Form 54 - linked	36		79022	79022	81046
Form 54 - non-linked	37				
Total	38	11559	1652897	1664455	1588952

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	70090	1199506	1269596	1023563
Form 52	43				
Form 53 - linked	44	7836	328051	335887	337549
Form 53 - non-linked	45	99	3661	3760	413
Form 54 - linked	46	523	15579	16102	13224
Form 54 - non-linked	47	7	1074	1081	806
Total	48	78555	1547871	1626426	1375556

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 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	18816	85617	3315				58133
105	Conventional whole life with-profits IB	370308	119354	314				95948
120	Conventional endowment with-profits OB savings	11964	77001	1978				70473
125	Conventional endowment with-profits OB target cash	14638	218292	6639				317497
130	Conventional endowment with-profits IB	1558	2618	88				2477
155	Conventional pensions endowment with-profits	1315	35115					34142
205	Miscellaneous conventional with-profits	141	5296	90				3639
215	Additional reserves with-profits IB							14629
300	Regular premium non-profit WL/EA OB	3388	8605					8457
310	Non-profit IB	485901	6837					13570
435	Miscellaneous non-profit	35	629	9				181

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	54657	1202037	3373				1595083
165	Conventional deferred annuity with-profits	134	469	13				561
200	Annuity with-profits (CPA)							66115
300	Regular premium non-profit WL/EA OB	6012	71413					100694
305	Single premium non-profit WL/EA OB	1						2
390	Deferred annuity non-profit	879	949	0				6730

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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	10410	175506	1673				165463
120	Conventional endowment with-profits OB savings	4877	47100	759				43268
125	Conventional endowment with-profits OB target cash							1665
165	Conventional deferred annuity with-profits	132	3549	6				4668
205	Miscellaneous conventional with-profits	4	61	1				0

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	12794	245569	316				346425
165	Conventional deferred annuity with-profits	119	1736	6				13628
175	Group conventional deferred annuity with-profits		2178	0				2195
200	Annuity with-profits (CPA)	2225	5747					73668
205	Miscellaneous conventional with-profits	39	504					3515
400	Annuity non-profit (CPA)		6					478

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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
300	Regular premium non-profit WL/EA OB	27058	67762	784				68465
305	Single premium non-profit WL/EA OB	20	6					8
325	Level term assurance	40230	3576238	19583				(31797)
330	Decreasing term assurance	2822	90964	527				(514)
350	Stand-alone critical illness (guaranteed premiums)	42	2388	17				(18)
360	Income protection non-profit (guaranteed premiums)	202	3131	64				378
365	Income protection non-profit (reviewable premiums)		850	17				(375)
385	Income protection claims in payment	6	56					73
390	Deferred annuity non-profit	409	4916	0				5007
395	Annuity non-profit (PLA)	1669	2007					22603
425	Group income protection claims in payment	4	75					946
435	Miscellaneous non-profit	3056	95941	940				595
440	Additional reserves non-profit OB							(592)

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

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
325	Level term assurance		406328	2410				(5498)
360	Income protection non-profit (guaranteed premiums)		706	14				312
365	Income protection non-profit (reviewable premiums)		850	17				375
435	Miscellaneous non-profit		1356	888				(568)

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	409						448
325	Level term assurance	4346	288397	1544				(1622)
330	Decreasing term assurance	39	644	8				(3)
390	Deferred annuity non-profit	1290	1169					32438
400	Annuity non-profit (CPA)	144544	187164					2734156
410	Group Life	16	12994	238				(316)
435	Miscellaneous non-profit		383	12				4079
440	Additional reserves non-profit OB							4200

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 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
500	Life UWP single premium	23696	272633		272633	252445	20184	272629
505	Life UWP whole life regular premium	1200	7049	964	7049	6887	162	7049
506	Life UWP whole life regular premium (ISA)	21245	103780	7375	118579	102742	15838	118579
515	Life UWP endowment regular premium – target cash	2888	77288	1966	41327	31473	9854	41327

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
506	Life UWP whole life regular premium (ISA)		33		33	33		33
525	Individual pensions UWP	343764	2671985	23527	2671985	2086259	660009	2746269
535	Group money purchase pensions UWP		55025	173	55025	52725	1355	54080
575	Miscellaneous UWP	325	2813	112	2813	2813		2813
605	Miscellaneous protection rider	6518	65650	289		866		866

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 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
505	Life UWP whole life regular premium	436	4941	88	4941	4694	247	4941
575	Miscellaneous UWP	1	19		19	19		19

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						26671	26671
795	Miscellaneous property linked							

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	397					3537	3537

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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
700	Life property linked single premium	134	12429		12385	12385		12385
710	Life property linked whole life regular premium	126	5634	66	1817	1669		1669
715	Life property linked endowment regular premium - savings	387	10550	206	5308	5275	99	5374

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		10862		10862	10862		10862
710	Life property linked whole life regular premium		631		631	631		631

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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
905	Index linked annuity (CPA)	13	46			523	7	530
910	Miscellaneous index linked					1722		1722

Long-term insurance business: Analysis of valuation interest rateName of insurer **PHOENIX LIFE ASSURANCE LIMITED**Subfund **90:10 Pearl With-Profits Fund**Financial year ended **31 December 2014**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
100 Conventional whole life withprofits OB Life	58133	1.51	1.89	1.94
105 Conventional whole life withprofits IB Life	95948	1.04	1.30	1.33
120 Conventional endowment withprofits OB savings Life	70473	1.46	1.83	1.87
125 Conventional endowment withprofits OB target cash Life	317497	1.41	1.76	1.81
500 Life UWP single premium Life	274329	0.65	0.82	0.84
506 Life UWP whole life regular premium (ISA) Life	118852	0.62	0.78	0.80
155 Conventional pensions endowment withprofits Pensions	1595083	1.70	1.70	1.74
200 Annuity withprofits (CPA) Pensions	68423	1.89	1.89	1.94
300 Regular premium nonprofit WL/EA OB Pensions	100694	1.44	1.44	1.48
525 Individual pensions UWP Pensions	2208587	1.55	1.55	1.59
525 Individual pensions UWP Pensions	540389	1.93	1.93	2.32
535 Group money purchase pensions UWP Pensions	55949	0.93	0.93	0.95
Miscellaneous	163368	n/a	n/a	n/a
Total	5667724			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Subfund **100:0 SERP Fund**

Financial year ended **31 December 2014**

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
165 Conventional deferred annuity withprofits Pensions	1285257	2.47	2.47	2.54
Total	1285257			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Subfund **100:0 London Life With-Profits Fund**
Financial year ended **31 December 2014**
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
100 Conventional whole life withprofits OB Life	159903	2.02	2.53	2.59
120 Conventional endowment withprofits OB savings Life	43268	2.46	2.87	2.94
155 Conventional pensions endowment withprofits Pensions	346599	1.32	1.32	2.01
165 Conventional deferred annuity withprofits Pensions	13724	2.22	2.22	2.28
200 Annuity withprofits (CPA) Pensions	74190	2.19	2.19	2.25
Miscellaneous	28210	n/a	n/a	n/a
Total	665893			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 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 NP code 390	5007	2.10	2.63	2.69
UKP NP code 390	32438	2.10	2.10	2.15
UKP NP code 400	1160282	2.48	2.48	2.54
UKP NP code 300/325/330/410/435	2596	1.49	1.49	1.53
UKP NP code 440	4200	1.70	1.70	1.74
UKP NP code 905	1065	2.31	2.31	2.37
UKL NP code 300	68465	2.10	2.63	2.69
Miscellaneous	385	n/a	n/a	n/a
Total	1274437			

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

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

Valuation result

Fund carried forward	11	9392746	8727878
Bonus payments in anticipation of a surplus	12	157164	141241
Transfer to non-technical account	13	38255	89306
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9588165	8958425
Mathematical reserves	21	9234970	8570888
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	353195	387536

Composition of surplus

Balance brought forward	31	147421	139789
Transfer from non-technical account	32	(31038)	(73874)
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	236812	321621
Total	39	353195	387536

Distribution of surplus

Bonus paid in anticipation of a surplus	41	157164	141241
Cash bonuses	42	135	135
Reversionary bonuses	43	10219	9433
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	167518	150809
Net transfer out of fund / part of fund	47	38255	89306
Total distributed surplus (46+47)	48	205774	240115
Surplus carried forward	49	147421	147421
Total (48+49)	59	353195	387536

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 **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	5775169	5524960
Bonus payments in anticipation of a surplus	12	155968	140467
Transfer to non-technical account	13	17743	15898
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5948880	5681325
Mathematical reserves	21	5658670	5409277
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	290210	272048

Composition of surplus

Balance brought forward	31	107421	107421
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	182789	164627
Total	39	290210	272048

Distribution of surplus

Bonus paid in anticipation of a surplus	41	155968	140467
Cash bonuses	42		
Reversionary bonuses	43	9078	8262
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	165046	148728
Net transfer out of fund / part of fund	47	17743	15898
Total distributed surplus (46+47)	48	182789	164627
Surplus carried forward	49	107421	107421
Total (48+49)	59	290210	272048

Percentage of distributed surplus allocated to policyholders

Current year	61	90.29	90.34
Current year - 1	62	90.34	90.39
Current year - 2	63	90.39	90.44
Current year - 3	64	90.44	90.62

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	1290257	1137053
Bonus payments in anticipation of a surplus	12	3	100
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1290260	1137153
Mathematical reserves	21	1285257	1132053
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5003	5100

Composition of surplus

Balance brought forward	31	5000	4961
Transfer from non-technical account	32	(18828)	(29836)
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	18831	29975
Total	39	5003	5100

Distribution of surplus

Bonus paid in anticipation of a surplus	41	3	100
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	3	100
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	3	100
Surplus carried forward	49	5000	5000
Total (48+49)	59	5003	5100

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	0.09
Current year - 3	64	0.09	100.00

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	670893	660310
Bonus payments in anticipation of a surplus	12	1192	674
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	672086	660984
Mathematical reserves	21	664617	654003
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	7469	6981

Composition of surplus

Balance brought forward	31	5000	5000
Transfer from non-technical account	32	(12210)	(44037)
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	14679	46019
Total	39	7469	6981

Distribution of surplus

Bonus paid in anticipation of a surplus	41	1192	674
Cash bonuses	42	135	135
Reversionary bonuses	43	1141	1172
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	2469	1981
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	2469	1981
Surplus carried forward	49	5000	5000
Total (48+49)	59	7469	6981

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	1656426	1405556
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	20512	73407
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1676939	1478963
Mathematical reserves	21	1626426	1375556
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	50512	103407

Composition of surplus

Balance brought forward	31	30000	22407
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	20512	81000
Total	39	50512	103407

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	20512	73407
Total distributed surplus (46+47)	48	20512	73407
Surplus carried forward	49	30000	30000
Total (48+49)	59	50512	103407

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 **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	11286	3443	n/a	CWP	N	11286
Endowment assurance	20	19317	6533	n/a	CWP	N	19317
Endowment assurance	25	30779	10136	n/a	CWP	N	30779
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	57286	18681	n/a	UWP	N	57286
Regular premium pension	20	80491	28533	n/a	UWP	N	80491
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	16608	4757	n/a	UWP	N	16608
Single premium pension	20	32291	17328	n/a	UWP	N	32291

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	13602	n/a	n/a	CWP	n/a	19300
Endowment assurance	20	20011	n/a	n/a	CWP	n/a	24659
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**Original insurer **LONDON LIFE LIMITED**Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	8107	0	0	CWP	No	8107
Endowment assurance	20	13004	0	0	CWP	No	13004
Endowment assurance	25	22138	2301	0	CWP	No	22138
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	30825	3446	0	UWP	No	30825
Regular premium pension	15	51177	6858	0	UWP	No	51177
Regular premium pension	20	69495	9437	0	CWP	No	69495
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	15424	2342	0	UWP	No	15424
Single premium pension	15	15003	0	0	UWP	No	15003
Single premium pension	20	21400	3109	0	CWP	No	21400

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **LONDON LIFE LIMITED**
 Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	6304	0	0	CWP	No	14007
Endowment assurance	20	14439	0	0	CWP	No	16278
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **AMP UK**
 Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	23886	0	0	CWP	No	23886
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	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	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **AMP UK**
 Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirementName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2014**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%	81246	81246	0.86	70	83
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	3903756	3353045		10093	11499
Classes III, VII and VIII	15	0.3%					
Total	16		3985002	3434292		10163	11582

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					106	120
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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%	10405846	8832069	0.85	88450	82829
Classes III, VII and VIII (investment risk)	33	1%	168733	87570	0.85	1434	737
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	23320	20469	0.88	205	220
Classes III, VII and VIII (other)	35	25%				87	148
Class IV (other)	36	1%	1205	720	0.85	10	27
Class V	37	1%					
Class VI	38	1%					
Total	39					90186	83961

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	10405846	8832069	0.85	265349	248486
Classes III, VII and VIII (investment risk)	43	3%	168733	87570	0.85	4303	2210
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	23320	20469			
Classes III, VII and VIII (other)	45	0%	319838	304496			
Class IV (other)	46	3%	1205	720	0.85	31	81
Class V	47	0%					
Class VI	48	3%					
Total	49		10918942	9245325		269682	250777

Long term insurance capital requirement	51					370137	346439
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Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Appendix 9.1

0000 Capital support provided to the Long-Term Fund

There are agreements in place for the Company's Shareholder Fund ("SHF") and Non-Profit Fund ("NPF") to provide capital support to the Company's With-Profits ("WP") funds. At 31 December 2014, the SHF provided support of £851m (2013: £713m) to the SERP Fund and £99m (2013: £71m) to the London Life With-Profits Fund ("LL WP Fund"). At 31 December 2014 the NPF provided support of £93m (2013: £81m) to the LL WP Fund.

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

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in December 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

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

	2014	2013
	£'000	£'000
Form 13 line 89 (total other than long term insurance business assets)	376,254	502,817
Form 13 line 89 (total long term insurance business assets)	14,167,395	14,532,681
Less Form 14 line 71	(12,510,543)	(12,996,664)
Less Form 15 line 69	(272,836)	(271,694)
Net admissible assets	1,760,270	1,767,140
Subordinated debt – Form 3 line 52	233,562	250,000
Capital resources requirement of regulated related undertakings	123,875	116,667
Roundings	-	1
Form 3 line 79 – Total capital resources	2,117,707	2,133,808

0310 Valuation differences shown in Form 3 Line 14

Net positive valuation differences represent:

	2014	2013
	£'000	£'000
Actuarial valuation differences between IFRS and Peak 1	1,196,151	1,057,989
Fair value adjustment of inter company loans	5,393	(9,820)
Deferred tax	17,102	10,112
Provision for "reasonably foreseeable adverse variations"	(29,001)	(29,001)
Net positive valuation differences	1,189,645	1,029,281

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Appendix 9.1 (continued)

0313 Reconciliation of profit and loss account and other reserves

	2014
	£'000
Profit and loss account and other reserves - Form 3 line 12 column 3	457,552
Profit and loss account and other reserves - Form 3 line 12 column 4	675,745
Movement	<u>(218,193)</u>
Other than long term fund:	
Loss retained for the financial year - Form 16 line 59	(66,367)
Movement in valuation difference of subsidiary undertakings	(21,860)
Movement in deferred tax	(3,102)
Repayment of capital contribution	(100,000)
Long term fund:	
Non-Profit fund IFRS profit for the financial year	16,798
Transfer of surplus from Non-Profit fund to Shareholder fund	(20,512)
Supported With-Profit fund IFRS profit for the financial year	7,888
Transfer of capital support from supported With-Profit fund to Shareholder Fund	(31,038)
	<u>(218,193)</u>

1301 Unlisted and listed investments

	2014	2013
	£'000	£'000
Unlisted investments valued in accordance with the rules in GENPRU 1.3	12,520	10,107
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	14,839	13,717
Total	<u>27,359</u>	<u>23,824</u>

The above amounts in respect of unlisted investments that are not readily realisable fall within any of lines 41, 42, 43, 46, or 48 of Form 13 Total other than long term insurance business assets.

1304 & *1310* Set off

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

Interfund balances, which exist between the shareholder fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

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 counterparty other than an approved counterparty during the year was 5% 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) In accordance with these investment guidelines, during 2014, there were no breaches (2013: £nil).

1308 Unlisted and listed investments

	2014 £'000	2013 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	584,110	569,540
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	15,641	29,531
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	568,608	557,374
	<u>1,168,359</u>	<u>1,156,445</u>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 42, 43, 46, or 48 of Form 13 Total long term insurance business 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.

1309 Hybrid securities

The aggregate value of Hybrid Securities held by the insurer is £750,972,445.

1313 Fully secured rights

On 4 May 2007 the Company entered into a reinsurance arrangement with Opal Reassurance Limited ("Opal"). The arrangement involved the reinsurance of specified pension annuities in payment to Opal and was effective from 1 January 2007. Note 1402 provides further details of this arrangement.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2014

Appendix 9.1 (continued)

1318 Other asset adjustments

Included within line 101 of Form 13 for each subfund are:

	Total other than long term £'000	Total long term £'000	100:0 SERP £'000	100:0 London Life With-Profits £'000	0:100 Non Profit Fund £'000
<u>2014</u>					
Value of support	119,436	(119,436)	(88,916)	(30,520)	-
Reclassification of assets backing linked liabilities	-	30	-	-	30
Settlement of internal swap	14,315	-	-	-	-
Roundings	-	(1)	-	-	-
	<u>133,751</u>	<u>(119,407)</u>	<u>(88,916)</u>	<u>(30,520)</u>	<u>30</u>

	Total other than long term £'000	Total long term £'000	100:0 SERP £'000	100:0 London Life With-Profits £'000	0:100 Non Profit Fund £'000
<u>2013</u>					
Value of support	142,587	(142,587)	(91,836)	(50,751)	-
Reclassification of assets backing linked liabilities	-	(615)	-	-	(615)
Reclassification of other creditors	-	(11,366)	-	(11,363)	(3)
	<u>142,587</u>	<u>(154,568)</u>	<u>(91,836)</u>	<u>62,114</u>	<u>(618)</u>

1321 & *1512* Settlement of inter fund balances

At the valuation date, an internal inflation swap arrangement between the Non Profit and 90:10 Funds and the Shareholder Fund was deemed to have been closed out and a transfer of assets totalling £14 million (2013: £21 million) has been reflected on Form 13 line 44 of the long term fund and Form 15 line 49 of the other than long term fund with an equal and opposite entry in Form 13 line 43 of both the long term and other than long term funds.

<u>2014</u>	Total other than long term £'000	Total long term £'000	0:100 Non Profit Fund £'000	90:10 Pearl With-Profits £'000
Settlement of internal swap	14,315	(14,315)	(6,093)	(8,222)

<u>2013</u>	Total other than long term £'000	Total long term £'000	0:100 Non Profit Fund £'000	90:10 Pearl With-Profits £'000
Settlement of internal swap	21,387	(21,387)	(8,778)	(12,609)

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2014

Appendix 9.1 (continued)

1322 Entity reconciliation to Statutory Accounts

	2014 £'000	2013 £'000
Form 13 line 102 Total long term insurance business assets	15,728,438	15,986,195
Form 13 line 102 Total other than long term insurance business assets	1,108,468	1,307,489
Entity adjustments in statutory accounts	(7,674)	(41,023)
Total IFRS Assets	<u>16,829,232</u>	<u>17,252,661</u>

The entity adjustment in the statutory accounts is to offset assets and liabilities when considered at the entity level. It is not attributable to any specific fund.

1401 & *1501* Provision for reasonably foreseeable adverse variations

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid or is valued using an internal model. These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R which are applied to all identified assets. In assessing the need for a provision the following assumptions have been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times.
- Opal assets are collateralised and the assets and liabilities are matched. Opal assets are regularly assessed to ensure that there is sufficient liquidity within the funds to meet its obligations therefore no further adjustments are considered necessary for Opal assets.

Consideration of valuation adjustments takes into account liquidity, the time to hedge out of a position / risk, the average and volatility of bid/offer spreads, the availability of market quotes and the average and volatility of trading volumes, amongst other items. Based on the above considerations the following investments are concluded to be less liquid:

- Private equity
- Hedge fund investments
- Specific fixed and variable interest securities

A provision of £29.0m has been established in respect of these investments. The calculation adjustment is applied considering the volatility in prices over the period it is expected to take to liquidate the particular asset class.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Appendix 9.1 (continued)

1402 Liabilities

- (a) A reinsurance treaty between the insurer and Opal was signed during 2007. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to Opal, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and Opal has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £1,800m (2013: £1,776m) (see table below).

Assets which are subject to the charge	2014 £000	2013 £000
<u>Form 13</u>		
Line 22 – UK insurance dependants – debts and loans	39,000	52,000
Line 28 – Other group undertakings – debts and loans	-	26,960
Line 41 – Equity shares	114,989	73,700
Line 43 – Holdings in collective investment schemes	423,041	510,930
Line 44 – Rights under derivative contracts	156,536	71,591
Line 45 – Approved fixed interest securities	242,374	211,437
Line 46 – Other fixed interest securities	330,236	736,609
Line 47 – Approved variable interest securities	103,250	91,213
Line 48 – Other variable interest securities	494,662	80,801
Line 78 – Other due in 12 months or less	-	18,652
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	16,557	13,453
Line 84 – Accrued interest and rent	14,710	16,330
<u>Less Form 14</u>		
Line 23 – Deposits received from reinsurers	804	770
Line 38 – Creditors – Other	134,618	127,213
Line 39 – Accruals and deferred income	39	57
Total	<u>1,799,894</u>	<u>1,775,636</u>

- (b) There is no total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Appendix 9.1 (continued)

1402 Liabilities (continued)

(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 for possible redress included in the mathematical reserves for Phase 1 cases is £522m (2013: £416m).

In addition, in 1999 the Financial Services Authority (FSA) and PIA issued guidelines on the next phase of the review and redress programme dealing with Phase 2 cases. In June 2000 the guidance on Phase 2 transfers, less loss calculations was finalised. This guidance has been used to set the current provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £16m (2013: £13m).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £8m (2013: £4m).

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.

1405 Other liabilities adjustments

Other adjustments to liabilities shown on Form 14 line 74 represent:

	2014	2013
	£'000	£'000
Valuation differences between Peak 1 and IFRS liabilities	1,196,152	1,057,989
Reclassification of other creditors	-	(11,366)
Provision for "reasonably foreseeable adverse variations"	(27,859)	(27,859)
Reclassification of assets backing linked liabilities	30	(615)
Deferred tax	18,141	15,585
Total	<u>1,186,464</u>	<u>1,033,734</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Appendix 9.1 (continued)

1412 Entity Reconciliation to Statutory Accounts

	2014	2013
	£'000	£'000
Form 14 line 76 Total liabilities	(15,728,438)	(15,986,195)
Form 15 line 85 Total liabilities	(1,108,468)	(1,307,489)
Entity adjustments in statutory accounts	7,674	41,023
Total IFRS liabilities	<u>(16,829,232)</u>	<u>(17,252,661)</u>

The entity adjustment in the statutory accounts is to offset assets and liabilities when considered at the entity level. It is not attributable to any specific fund.

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 (2013: £nil).
- (c) The Company has committed to provide further capital to National Provident Life Limited ("NPLL"), a subsidiary company, if it is required by NPLL to meet its capital policy, provided that in doing so, the Company continues at all times to be able to meet its own capital policy.
- (d) The insurer has no forward commitments in respect of group undertakings (2013: £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.

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

1507 Other liabilities adjustments

	2014	2013
	£'000	£'000
Provision for reasonably foreseeable adverse variations	(1,142)	(1,142)
Settlement of internal swap	14,315	-
Form 15 line 83	<u>13,173</u>	<u>(1,142)</u>

1601 Basis of conversion of foreign currency

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

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2014

Appendix 9.1 (continued)

1603 Other income and charges

The total of other income and charges for 2014 comprises:

	2014	2013
	£'000	£'000
Professional fees	(810)	(771)
Commission received	104	142
Projects	40	(205)
Part VII costs - London Life Limited	-	(17)
Part VII costs - Guardian	-	(3,514)
Release/(Increase) of provision	-	15
Total other income/(charges)	<u>(666)</u>	<u>(4,350)</u>

1604 Extraordinary profit or loss

The gain shown on Form 16 line 41 in 2013 represents the gain on the transfer under the Part VII scheme of the remaining balance of the shareholders' fund of London Life Limited ("LLL") following its de-authorisation in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 24 September 2012.

	2014	2013
	£'000	£'000
Profit on Part VII transfer in of LLL	<u>-</u>	<u>4,049</u>

1701 Variation margin

The practice of the insurer is to seek "variation margin" (which includes collateral on over the counter derivatives), for derivative asset positions from counterparties to mitigate exposure to credit risk. Variation margin on derivative positions are settled on the basis of "net" exposure from derivative assets and liabilities with each counterparty. Variation margin is received in the form of cash or approved fixed interest securities. The table below presents the net exposure to derivative counterparties and total variation margin received and pledged.

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Financial year ended 31 December 2014

Appendix 9.1 (continued)

***1701* Variation margin (continued)**

Gross Derivatives	Assets £'000	Liabilities £'000	Net £'000
Other than Long term fund	6,965	17,246	(10,281)
Long term Fund (excluding assets held to match linked liabilities)	1,058,773	996,167	62,606
Total	1,065,738	1,013,413	52,325
“Net” Exposure by counterparty			
Exchange trade derivatives	-	3,536	(3,536)
Over the counter derivatives	498,792	442,931	55,861
	<u>498,792</u>	<u>446,467</u>	<u>52,325</u>
Variation Margin	Received	Pledged	
On Exchange trade derivatives	-	3,536	
On OTC derivatives	450,107	408,317	
Total	<u>450,107</u>	<u>411,853</u>	

As per the requirements of IAS 39, the insurer recognises variation margin received in the form of cash on balance sheet, and any variation margin received in the form of securities off balance sheet. This is due to the transfer of risk and return. In the case of cash – it is in the control of the insurer and can be reinvested in other investment classes if considered appropriate. Securities received as variation margin are not deemed to transfer the risk and return of the assets to the insurer, and as such are not held on balance sheet, but shown for disclosure purposes only.

As a result, no variation margin is included in Form 17 Line 52 to remove undue reconciling entries between the Prudential Regulation Authority forms and published statutory accounts.

On OTC derivatives, variation margin received in the form of cash amounting to £286m is included within Form 13 Line 43 and a corresponding liability to repay this balance is included within Form 14 Line 38 or Form 15 Line 49. Variation margin received in the form of approved fixed interest securities amounts to £165m and is not reported as an asset in Form 13 or a liability in Form 14.

***1901* Allocation of liabilities**

London Life with-profits

Following a review of the method of allocation of liability classes, there has been a change to how liabilities for guaranteed annuity options have been presented. Previously these liabilities were allocated across both lines 41 and 43 of form 19, at 31 December 2014 they have been allocated entirely to line 43; the new treatment is consistent with the other PLAL funds and with other Phoenix companies.

SERP

Following a review of the method of allocation of liability classes, there has been a change to where the liability to repay contingent loan resides in form 19. Previously this was allocated to line 47, at 31 December 2014 it has been allocated to line 45; the new treatment is consistent with London Life with-profits fund, which has the same capital support facility as SERP.

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Appendix 9.3

4002 Other income and expenditure

2014

The total of other income of £2,334,000 shown on Form 40 line 15 represents:

	Total	90:10 Pearl With- Profits	0:100 Non Profit Fund
	£000	£000	£000
Commission received	661	414	247
Management charges	1,299	1,267	32
Transfer of management charge	374	374	-
	<u>2,334</u>	<u>2,055</u>	<u>278</u>

The total of other expenditure of £246,054,000 shown on Form 40 line 25 represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

2013

The total of other income of £1,139,000 shown on Form 40 line 15 represents:

	Total	90:10 Pearl With- Profits	0:100 Non Profit Fund
	£000	£000	£000
Commission received	1,158	397	761
Management charges	(394)	(185)	(209)
Transfer of management charge	375	-	375
	<u>1,139</u>	<u>212</u>	<u>926</u>

The total of other expenditure of £30,867,000 shown on Form 40 line 25 represents the change in value of Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

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Appendix 9.3

4004 Transfers of contracts

Business transfers in are split by fund as follows:

	2014 £'000	2013 £'000
100:0 London Life With-Profits	510	(809)
0:100 Non Profit Fund	147,718	227,073
Total	<u>148,228</u>	<u>226,264</u>

Business transfers out are split by fund as follows:

90:10 Pearl With-Profits	(106,589)	(148,078)
100:0 London Life With-Profits	(18,157)	(22,419)
0:100 Non Profit Fund	(4,580)	(30,455)
100:0 SERP	(18,902)	(47,222)
Total	<u>(148,228)</u>	<u>(248,174)</u>

Net total	<u>-</u>	<u>(21,909)</u>
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The business transfers between the funds consist of vesting annuities. The vesting annuities have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively, but in business transfers-in and business transfers-out instead. As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47.

Long Term Fund Transfers

On 27 June 2012, the Company entered into a business transfer agreement ("BTA") with Guardian Financial Services Limited ("Guardian"). The transfer was originally effected under a reinsurance agreement effective from 1 July 2012. In accordance with the BTA, the business was transferred to Guardian on 30 September 2013 using a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 12 September 2013.

As part of the transfer, the Company paid £21.9m consideration to Guardian during 2013 in connection with the on-going servicing of the transferred policies. This amount is included as a business transfer out.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2014

Appendix 9.3

***4006* Apportionments between long term funds**

The insurer maintains more than one long term insurance business fund. Separate portfolios of investments are maintained for and are directly attributable to each fund. Investment income and the increase or decrease in the value of the assets is determined by the assets held in each fund. Expenses which are incurred directly for the purpose of an element of the fund are allocated to that element. Other expenses are allocated having regards to such measures as policy volumes or time spent as considered appropriate.

***4008* Provision of management services**

Policy administration is outsourced to Pearl Group Services Limited ("PGS"). PGS has, in turn, outsourced all administration to Diligenta Limited. Under the agreements with PGS, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

State Street Bank and Trust Company and HSBC Bank plc have provided custody, accounting, transition management and associated services for certain managed assets of the insurer during the financial year.

Ignis Investment Management Limited, Ignis Asset Management Limited and Henderson Global Investors Limited have provided investment services during the financial year to the insurer.

***4009* Material connected-party transactions**

The insurer entered into a reinsurance treaty, effective 1 January 2007, with Opal. Details of this reinsurance treaty are to be found in paragraph 9 of the Abstract of Valuation Report.

During the year the insurer paid £51.6m (2013: £56.3m) to Pearl Group Services Limited. Ignis Investment Management Limited, a fellow subsidiary until 1 July 2014, was paid £6.8m during the period (2013: £19.6m).

At 31 December 2014 there were £532.0m (2013: £586.3m) in loans made to its holding company, Pearl Group Holdings (No. 2) Limited. £190m of the loans present at the start of the year were replaced by two new interest bearing loans during the year. Interest of £21.1m was capitalised during the year (2013: £12.2m). Each of these loans is repayable on 31 December 2018.

During the year the Company paid a dividend of £76m to PGH2 settled by an in specie transfer of two loans and a further dividend of £90m to PGH2 settled in cash.

At 31 December 2014 there were £89.0m (2013: £102.0m) in loans made to its subsidiary company, National Provident Life Limited. A repayment of £13m was received during the year. These loans are interest bearing and are repayable on 30 June 2016 and 2 September 2019.

Four loans to fellow subsidiary companies PGH (LCA) Limited and PGH (LCB) Limited, with a combined value of £27.0m, were repaid on 24 July 2014.

At 31 December 2014 there was a £250.0m (2013: £250.0m) loan to the insurer by a fellow group company Phoenix Life Holdings Limited. This loan is interest bearing and is repayable on 2 September 2019.

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Appendix 9.3

4401 Valuation of assets

Investments are stated at current value at the end of the financial year, calculated as follows:

- listed investments are stated at the bid market value;
- short-term deposits are included at fair value, which is considered to be equivalent to cost;
- other investments are shown at directors' estimates of bid market value.

4801 Asset mix for assets share portfolio

90:10 Pearl With-Profits

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 mix of this portfolio at 31 December 2014 was:

Asset	Proportion
Land and buildings	7.8%
Approved fixed interest securities	20.3%
Other fixed interest securities	17.5%
Variable interest securities	0.8%
UK listed equity shares	13.5%
Non-UK listed equity shares	19.5%
Unlisted equity shares	8.3%
Other assets	12.3%

SERP Fund

The asset share mix of this portfolio at 31 December 2014 was:

Asset	Proportion
Approved fixed interest securities	8.6%
Other fixed interest securities	77.1%
Other assets	14.3%

100:0 London Life With-Profits

The asset share for each of the five separate asset portfolios are shown below:

	Active Block		Passive Block		UWP Block
	Exc AMP	AMP	Cash Bonus	Pension	
Gilts	40%	46%	27%	60%	24%
Corps	16%	17%	13%	25%	13%
Prop	4%	0%	0%	0%	5%
Equity	26%	0%	0%	0%	50%
Cash	8%	37%	60%	15%	3%
Other	6%	0%	0%	0%	5%
Total	100%	100%	100%	100%	100%

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Appendix 9.3

4802 Defaulted Assets

The following assets have defaulted on payment of interest. Values are in £.

Pearl With-Profits Fund

Asset	Market Value	Expected Income
Lehman Bros 3.875% VRN Perp	442	0
Lehman Brothers UK Cap 5.75% Pref Perp	363	0
TCF Partners 5% 31/12/2059	-	0
Brick Loan Note 12/17 FRN	1	0

London Life With-Profits Fund

Asset	Market Value	Expected Income
Pinton Estates 11.25%	43,050	0

4803 Assumptions regarding redemption dates

90:10 Pearl With-Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The value of these assets at the valuation date was £183m.

100:0 SERP With-Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The value of callable corporate bonds at the valuation date was £4m.

It has been assumed the sinking bonds will be redeemed according to schedules of planned redemptions provided by the investment manager. The value of sinking bonds was £76m at the valuation date.

100:0 London Life-With Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for call-ups where the first callable date is used. The value of these assets at the valuation date was £6m.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2014

Appendix 9.3

4803 Assumptions regarding redemption dates (continued)

Non-Profit Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, appropriate redemption date is calculated based on the type of the callable bond and the yield on the bond. The value of these assets at the valuation date was £525m.

4804 Asset yields

Non-Profit Fund

The yields for the assets contained with line 18 of Form 48 are as follows:

Asset	Yield
Other assets with income	0.57%
Other assets no income	0.00%

There is a loan of £39m yielding 9.25% in Other assets with income.

4806 Assets used to calculate investment returns in column 5 Form 48

90:10 Pearl With-Profits

The assets used to calculate the investment returns shown in Form 48 line 21 to line 29 column 5 are the portfolio of assets used to back asset shares. The asset mix for these assets is shown in Note 4801.

100:0 SERP With-Profits

The assets used to calculate the investment returns shown in Form 48 line 21 to line 29 column 5 are the portfolio of assets used to back asset shares. The asset mix for these assets is shown in Note 4801.

100:0 London Life With-Profits

The assets used to calculate column 5 of Form 48 are those shown for the Passive (Pensions) block of assets, except for equity and property assets for which only Active (Life) returns are available. The asset mix for these assets is shown in Note 4801.

4807 Allocation of assets to column 2 of Form 48

A number of reallocations are made between columns 1 and 2 according to instructions 2, 3 and 4.

4808 Non Linked Assets

All funds

The Company holds a number of derivatives in connection with its assets, including fixed interest swaps and equity futures. The net value of these derivatives is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to the relevant asset class, as described in Appendix 9.4 paragraph 4 (11), in proportion to the market value of the underlying asset classes. The yield shown in column 4 shows the yield on the relevant asset class excluding the impact of apportioning out the derivatives. For fixed interest securities the expected income relates to the fixed interest assets shown in column 1.

Returns under the Accounts and Statements Rules

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Appendix 9.3

4901 Credit rating agency

Ratings shown are the lower of ratings provided by Moody's Investors Services and Standard & Poor's Corporation, otherwise the credit ratings used were provided by Standard Life Plc.

4902 Fixed Interest Assets

All funds

Derivatives have been apportioned as described in note 4808 although for Form 49, the yields in columns 3 and 4 exclude the economic effect of the derivative apportionment.

5101 Group Scheme Business

The following group schemes exist on Form 51:

Non-Profit Fund

Number of schemes	Product Code
16	410
0	420

5103 Miscellaneous product codes

All Funds

Policies assigned to product codes 205 and 435 do not meet the definitions of any other product codes.

5600 Index Linked Business

Form 56, long term insurance business: index linked business, has not been included in the return as the insurer satisfies the de minimis limit.

5701 Negative Mathematical Reserve Offsets

Non-Profit Fund

UK Pension F53 Non unit reserves codes 300/325/330/410/435.

These have been combined as a single line entry in Form 57. This grouping of product codes has negative net reserves of £(1.6)m in respect of protection business. All other product codes in this group have positive net mathematical reserves.

Miscellaneous.

These have been combined as a single line entry in Form 57. This grouping of product codes has negative net reserves of £(26.3)m in respect of protection business. All other product codes in this group have positive net mathematical reserves.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.3

5702 Risk adjusted yield

(a) As referred to in note 0201, the PRA, on the application of the firm, made a direction under section 148 of the Financial Services and Market Act 2000 in December 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

(b) SERP With-Profits Fund

The risk-adjusted yield is calculated as the arithmetic mean of the risk-adjusted yield on each asset weighted by that asset's market value.

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UK Pension With Profit	2.36%	0.18%	2.54%

Non-Profit Fund

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UKL NP code 390	2.10%	0.59%	2.69%
UKP NP code 390	2.10%	0.05%	2.15%
UKP NP code 400	2.48%	0.06%	2.54%
UKP NP code 300/325/330/410/435	1.49%	0.04%	1.53%
UKP NP code 440	1.70%	0.04%	1.74%
UKP NP code 905	2.31%	0.06%	2.37%
UKP NP code 300	2.10%	0.59%	2.69%

5802 Transfer to non-technical account

Pearl With-Profits Fund

Line 13 represents the transfer of the shareholders share of With-Profits bonuses of £17,743k.

SERP With-Profits Fund

Line 32 represents the repayment of capital support to the shareholder fund of £18,828k.

London Life With-Profits Fund

Line 32 represents the repayment of capital support to the shareholder fund of £12,210k.

Non-Profit Fund

Line 13 represents the transfer of the Non-Profit fund surplus of £20,512k.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2014

- (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). In addition, the insurer uses derivatives to match liabilities to mitigate the effect of changes in market variables on its capital position.

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by 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. Sophisticated risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. 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 investment principles described above, the investment policy permits the writing of contracts, under which the insurer has a right or an obligation to acquire or dispose of assets. 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 does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

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 derivatives that cannot be sufficiently well modelled using the Investment Manager's internal risk management systems, without the prior approval of the senior management of the Investment Manager.

- (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 total nominal value of payer swaptions where the fixed rate equals or exceeds 6% p.a., and hence which would require a significant market movement to become 'in the money' options was £180m.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

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(continued)

- (h) The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R. An inflation rate swap in the other than long term business fund has been treated as inadmissible per INSPRU 3.2.5R as it is not held for efficient portfolio management or risk reduction purposes. The value of this derivative as at 31 December 2014 was £4,287,476 and the nominal value was £80,030,000.
- (i) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £nil.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Assurance Limited

Global Business

Financial year ended 31 December 2014

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

- a) Pearl Group Holdings (No. 2) Limited
- b) Phoenix Life Holdings Limited
- c) PGH (LCA) Limited
- d) PGH (LCB) Limited
- e) Phoenix Group Holdings

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

1. Pearl Group Holdings (No. 2) Limited

As at 31 December 2014, Pearl Group Holdings (No. 2) Limited held 100% of the issued share capital of Phoenix Life Assurance Limited and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Phoenix Life Assurance Limited.

2. Phoenix Life Holdings Limited

As at 31 December 2014, Phoenix Life Holdings Limited held 100% of the issued share capital of Pearl Group Holdings (No. 2) Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Pearl Group Holdings (No. 2) Limited.

3. PGH (LCA) Limited

As at 31 December 2014, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

4. PGH (LCB) Limited

As at 31 December 2014, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Assurance Limited

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(continued)

5. Phoenix Group Holdings

As at 31 December 2014, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited which between them owned 100% of the shares of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Phoenix Group Holdings was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Assurance Limited or another company of which Phoenix Life Assurance Limited is a subsidiary undertaking.

PHOENIX LIFE ASSURANCE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

1. INTRODUCTION

(1) Valuation Date

The date to which the actuarial investigation relates is 31 December 2014.

(2) Previous Valuation

The date to which the previous actuarial investigation under IPRU (INS) rule 9.4 related was 31 December 2013.

(3) Interim Valuations

Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU (INS) rule 9.4).

2. PRODUCT RANGE

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

The new business status of each of the with-profits sub-funds during the year was:

FUND	STATUS
Pearl With-Profits Fund	(d) closed to new business except by increment
SERP With-Profits Fund	(d) closed to new business except by increment
London Life With-Profits Fund	(d) closed to new business except by increment

The remaining questions are answered in respect of each fund in turn.

Pearl With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of entry	Period applied
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Sep 2001	Oct 2014 to Dec 2014
	Sep 2001 to Dec 2001	Jul 2014 to Dec 2014
	Jan 2002 to Mar 2002	Jan 2014 to Dec 2014
	April 2002 to Dec 2005	Jul 2014 to Dec 2014
	Jan 2006 to Jun 2006	Jan 2014 to Dec 2014
	Jul 2006 to Sep 2006	Jan 2014 to Sep 2014
	Oct 2006 to Dec 2007	Jan 2014 to Jun 2014
	Jan 2008 to Dec 2012	Jul 2014 to Dec 2014
	Jan 2013 to March 2013	Jul 2014 to Sep 2014
Reinsurance Accepted Portfolio Bond 1b & Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Jun 2001	Oct 2014 to Dec 2014
	Jul 2001 to Sep 2001	Jan 2014 to Dec 2014
	Sep 2001 to Mar 2007	Jul 2014 to Dec 2014
	Apr 2007 to Dec 2007	Jan 2014 to Dec 2014
	Jan 2008 to Mar 2013	Jul 2014 to Dec 2014
	Apr 2013 to Jun 2013	Oct 2014 to Dec 2014
Reinsurance Accepted Investment Bond	Oct 2000 to Jun 2001	Oct 2014 to Dec 2014
	Jul 2001 to Sep 2001	Jan 2014 to Sep 2014
	Sep 2001 to Jun 2002	Jan 2014 to Mar 2014
		Jul 2014 to Dec 2014
	Jul 2002 to Jun 2005	Jul 2014 to Dec 2014
	Jul 2005 to Sep 2006	Jan 2014 to Mar 2014
		Jul 2014 to Dec 2014
	Oct 2006 to March 2007	Jan 2014 to Sep 2014
	Apr 2007 to Dec 2007	Jan 2014 to Jun 2014
	Jan 2008 to Jun 2008	Jan 2014 to Mar 2014
		Jul 2014 to Dec 2014
Jul 2008 to Mar 2013	Jul 2014 to Dec 2014	
Apr 2013 to Jun 2013	Oct 2014 to Dec 2014	
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Mar 2001	Oct 2014 to Dec 2014
	Apr 2001 to Mar 2007	Jul 2014 to Dec 2014
	April 2007 to Jun 2007	Jan 2014 to Dec 2014
	Jul 2007 to Mar 2013	Jul 2014 to Dec 2014
	Apr 2013 to Sep 2013	Oct 2014 to Dec 2014

Product	Policy Year of entry	Period applied
Reinsurance Accepted Individual Pensions & Reinsurance Accepted Group Pensions	Jan 2000 to Jun 2001	Oct 2014 to Dec 2014
	Jul 2001 to Sep 2001	Jan 2014 to Dec 2014
	Sep 2001 to Mar 2007	Jul 2014 to Dec 2014
	Apr 2007 to Dec 2007	Jan 2014 to Dec 2014
	Jan 2008 to Mar 2013	Jul 2014 to Dec 2014
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Mar 2001	Jan 2014 to Dec 2014
	Apr 2001 to Mar 2007	Jul 2014 to Dec 2014
	Apr 2007 to Jun 2007	Jan 2014 to Dec 2014
	Jul 2007 to Mar 2013	Jul 2014 to Dec 2014
	Apr 2013 to Jun 2013	Oct 2014 to Dec 2014

Note:

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

(2) Premiums on Reviewable Protection Policies

There have been no changes to premium rates for Pension and Life reviewable protection policies during the financial year.

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

Policy fees for Homebuyer version 1 were increased in 2014 in line with the National Average Earnings Index, an increase of 0.6%.

(5) Benefit Charges on Linked Policies

During the financial year, benefit charges remained unchanged on linked products.

(6) Accumulating With-Profits Charges

The following levels of unit management charges were introduced for Individual Pensions UWP - PP on 1 January 2014:

Regular Premiums and Paid Up Policies	1.20%
Single Premiums	0.92%
DSS Recurrent Single Premiums	0.97%

During the financial year, unit management charges for all other unitised accumulating with-profits and linked business remained unchanged.

The amount of business affected by this change involve basic mathematical reserves of £973m for regular premium and paid up policies, £177m for single premium policies and £843m for DSS recurrent single premium policies.

(7) Unit Pricing of Internal Linked Funds

(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 generally applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. In the linked funds, these collective investment schemes are valued on unswung prices but subject to a deduction if the fund is priced on a bid basis or an addition if the fund is priced on an offer basis.

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 (except for the Henderson Diversified Growth Fund asset.)

(8) Tax Deductions From Internal Linked Funds

Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

As at the end of 2011, all Equity funds had accumulated losses and tax rates for both losses and gains (realised and unrealised) were set to zero and have remained so.

In the event that tax rates are non-zero, the practice is that accruals for realised gains and losses in Equity funds are settled annually. Accruals for unrealised gains and losses would be cleared at the end of each financial year under the “deemed disposal” regime.

For Fixed Interest Funds a tax rate of 20% is currently applied to all realised and unrealised gains and tax relief of 20% applied to all realised and unrealised losses. Fixed interest tax accruals are settled annually.

(9) Tax Provisions for Internal Linked Funds

See (8) above.

(10) Discounts on Unit Purchases

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.

4. VALUATION BASIS (Other Than For Special Reserves)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

Mathematical reserves for non-linked business have been determined using a gross premium method, or a method at least as strong as a gross premium method. Where appropriate the mathematical reserves include additional amounts for future expenses, options and guarantees and rider benefits such as waiver of premium benefit.

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

LINKED BUSINESS

Unit-linked business mathematical reserves are determined by valuing units allocated to policies and adding a non-unit reserve.

Linked mathematical reserves are below the lesser of £10m and 0.1% of total gross reserves.

(2) Valuation Interest Rates

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business.

Product Code	Product Description	2014 BLAGAB	2014 GRB	2013
100	Conventional whole life withprofits OB	1.51%	1.51%	3.50%
105	Conventional whole life withprofits IB	1.04%	1.04%	4.00%
120	Conventional endowment withprofits OB savings	1.46%	1.46%	3.50%
125	Conventional endowment withprofits OB target cash	1.41%	1.41%	3.50%
130	Conventional endowment withprofits IB	1.09%	1.09%	4.00%
155	Conventional pensions endowment withprofits	1.70%	1.70%	2.40%
165	Conventional deferred annuity withprofits	1.19%	1.19%	1.90%
185	Group conventional pensions endowment withprofits	1.70%	1.70%	2.40%
200	Annuity withprofits (CPA)	1.89%	1.89%	3.20%
205	Miscellaneous conventional withprofits	1.38%	1.38%	3.50%
210	Additional reserves withprofits OB	1.38%	1.38%	3.50%
215	Additional reserves withprofits IB	1.04%	1.04%	4.00%
300	Regular premium nonprofit WL/EA OB	1.28%	1.44%	3.50%
330	Decreasing term assurance	1.28%	1.44%	3.50%
385	Income protection claims in payment	1.28%	1.44%	3.50%
390	Deferred annuity nonprofit	0.74%	1.15%	1.90%
435	Miscellaneous nonprofit	1.30%	1.44%	3.50%
500	Life UWP single premium	0.65%	0.65%	1.10%
505	Life UWP whole life regular premium	0.99%	0.99%	1.10%
506	Life UWP whole life regular premium (ISA)	0.62%	0.96%	1.10%
510	Life UWP endowment regular premium savings	0.99%	0.99%	1.10%
515	Life UWP endowment regular premium – target cash	0.63%	0.63%	1.10%
525	Individual pensions UWP	2.55%	2.55%	3.03%
535	Group money purchase pensions UWP	0.93%	0.93%	2.00%
545	Individual deposit administration withprofits	2.55%	2.55%	1.10%
565	DWP National Insurance rebates UWP	2.55%	2.55%	1.70%
571	Trustee investment plan UWP	2.55%	2.55%	1.10%
575	Miscellaneous UWP	0.68%	0.68%	1.10%
605	Miscellaneous protection rider	0.99%	0.99%	1.10%
710	Life property linked whole life regular premium	0.00%	0.00%	0.00%
735	Group money purchase pensions property linked	0.00%	0.00%	0.00%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt Term (bps)		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;

- otherwise, the sum of the dividend yield and the earnings yield, divided by two

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

(4) Mortality Basis

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

Product Group	2014		2013		Product Code
	Male	Female	Male	Female	
Conventional Life Business	116% AMC00	116% AFC00	116% AMC00	116% AFC00	100, 120, 125, 205, 300, 435
Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
Conventional General Annuity endowments	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
Conventional Pensions deferred annuities (pre vesting basis)	79% AMC00	79% AFC00	79% AMC00	79% AFC00	165, 390
Conventional Pensions deferred annuities (post vesting basis)	106.4% RMV00	92.5% RFV00	109.2% RMV00 Improvements CMI_2012 C2029 ^{(1) (2)}	106.8% RFV00 Improvements CMI_2012 C2030 ^{(1) (2)}	165, 390
Conventional Pensions endowments with a variable retirement age	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
Conventional Pensions endowments – Other – Compound Bonus	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155
Conventional Pensions endowments – Other – Simple Bonus	97% AMC00	97% AFC00	97% AMC00	97% AFC00	155, 300
Reinsurance Accepted Immediate Annuities	87.8% PMA00 Improvements CMI_2012 ⁽¹⁾	85.5% PFA00 Improvements CMI_2012 ⁽¹⁾	87.8% PMA00 Improvements CMI_2012 (1)	85.5% PFA00 Improvements CMI_2012 (1)	200
Individual Pensions UWP – PP	79% AMC00	79% AFC00	79% AMC00	79% AFC00	525
Unitised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
Unitised Accumulating With Profits – Other	79% AMC00	79% AFC00	79% AMC00	79% AFC00	500, 505, 506, 525, 575
Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

- Notes:
1. CMI 2012 improvements 2.50% for ages up to age 75, reducing linearly down to 0% at age 120.
 2. CMI Uses C = 2029 for Males and C = 2030 for Females, chosen to approximate U = 2013
 3. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.

Pearl With-Profits Fund

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			26.5	24.9
Reinsurance Accepted Immediate Annuities	23.5	14.3		

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			30.4	29.1
Reinsurance Accepted Immediate Annuities	27.7	17.7		

(5) Morbidity Basis

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

(6) Expense Basis

The expense bases are as follows:

Per Policy Expenses

Product Group	2014 £pa	2013 £pa	Tax Relief	Product Code
Conventional endowment with-profits OB savings	76.89	75.23	20%	120
Conventional endowment with-profits OB target cash	76.89	75.23	20%	125
Conventional pensions endowment with-profits	76.89	75.23	0%	155
Conventional deferred annuity with-profits	76.89	75.23	0%	165
Life UWP single premium	69.20	67.71	20%	500
Life UWP endowment regular premium – target cash(2)	76.89	75.23	20%	515
Individual pensions UWP	76.89	75.23	0%	525
Group money purchase pensions UWP	0.00	0.00	0%	535
Individual Pensions UWP – PP	32.99	32.39	0%	525
Individual Pensions UWP – PP (AMC)(1)	48bp	48bp	0%	525

Note:

1. These expenses are per arrangement rather than per element. No expenses are allocated to PP Additional Life Cover elements. The per-policy expense for Personal Pensions has been converted into a part per policy expense and a part Annual Management Charge.
2. The prudent expense assumptions also apply to the hybrid unitised with-profits policies sold in 1995 that have unit linked elements.

Gross Investment expenses

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

Product Group	2014 Bp⁽²⁾	2013 Bp⁽²⁾
All business except Personal Pensions Guarantee Reserve ⁽¹⁾	38	40
Personal Pensions Guarantee Reserve ⁽¹⁾	5	5

Notes:

1. Index linked Gilts held in respect of the Personal Pensions Guarantee Reserve
2. These rates are after allowing for VAT at 20%.

(7) Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Description	2014	2013
Expense inflation	3.0%	3.5%
Policy charge inflation	3.3%	3.8%
Expense inflation (Reinsurance Accepted Bonds)	4.8%	5.3%
Expense inflation (Reinsurance Accepted Immediate Annuities)	4.8%	5.3%

(8) Future Bonus Rates

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.

(9) Persistency

No future surrender, withdrawal or paid-up assumptions are applied in the determination of mathematical reserves.

(10) Retirement Rates

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	2014	2013
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
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) Allowance for Derivatives

The funds hold a number of swap contracts which are not used to determine valuation rates of interest.

No other 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

None

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract.

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

Assumption	2014	2013
Take up Rate	100%	100%
Rate of interest	1.70%	Min(Gilts, Swaps), capped at 2.3%
Mortality in payment	106.4% RMV00(1)	109.2% RMV00 C2031(1)
	92.5% RFV00(1)	106.8% RFV00 C2031(1)
Tax free lump sum	17% decreasing linearly to 5% after 20 years for Table XII, Top Hats and Freedom Bonds	17% decreasing linearly to 5% after 20 years for Table XII, Top Hats and Freedom Bonds
Retirement Rates	As per 4(10) above	As per 4(10) above

Note:

1. CMI 2012 improvements 2.50% for ages up to age 75, reducing linearly down to 0% at age 120.

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

Type of Business	Product name	Basic reserve £'000	Spread of outstanding durations ⁽¹⁾	Guarantee reserve ⁽²⁾ £'000	GAR (% fund for 65 year old male) ⁽³⁾	Increments allowed?	Annuity form	Retirement Age	Product Code
UK Life	Conventional pensions	18,439	Gradual run-off, mean term of 15	13,564	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	805,967	Gradual run-off, mean term of 9 years	677,961	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	50,704	Gradual run-off, mean term of 9 years	35,984	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance	55,919 See Note 5	Gradual run-off,	27,830	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
5. The basic reserve for this business is retained within the PAULP sub-fund of Phoenix Life Limited.

(2) Guaranteed Surrender and Unit-linked Maturity Values

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) Guaranteed Insurability Options

There is not 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 the former Pearl Assurance Ltd and those where they are shared between the former Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of Phoenix Life 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 (for the Pearl With-Profits fund) has been determined in accordance with the basis set out below, in which the rates are expressed as real rates rather than nominal rates:

Assumption	2014
Real rate of interest	1.93%
Future RPI inflation ⁽¹⁾	Market implied
Salary increases above inflation, inclusive of allowance for future salary progression	1%
Annuity pricing margin	11%
Mortality during deferment	79% AM/FC00 Ultimate
Mortality in payment	106.4% RMV00
	92.5% RFV00
Percentage assumed married	80%
Allowance for future service	pension scheme
Explicit Prudence Margin	200%

⁽¹⁾ Annuities are assumed to increase at the future RPI inflation rate less 0.7% p.a., before and after the retirement date.

The amount of business involved had a basic mathematical reserve of £2,055 million reserve with additional reserves of £540 million, not all policies within this product group have this attaching guarantee. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

(5) 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:

Assumption	2014
Rate of interest	1.41%
Mortality - Conventional Life Endowment	116% AMC/AFC00 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/AF80 Ult
Voluntary Discontinuance	0% p.a.

The amount of business involved had a basic reserve of £230million and additional guarantee reserve of £119 million.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

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
Individual Pensions UWP - PP	0	5	7	1	13
Other	0	12	13	1	25
Total	0	17	20	1	38

(2) Implicit Allowances

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) Form 43 Comparison

The amount of expense loadings expected to arise in the next 12 months are different for the maintenance expenses shown on Form 43 due to the margins for adverse deviation and project costs.

(4) New Business Expense Overrun

Since Phoenix Life Assurance Limited does not 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) Maintenance Expense Overrun

The per policy expense assumptions used allow for the attributable payments expected to be made to Pearl Group Services Limited 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 Limited is structured on a fixed cost per policy per annum (except for unitised with profits Personal Pensions business where a fixed cost per policy plus a percentage of assets under management is used.) Pearl Group Services Limited 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 Phoenix Life Assurance Limited certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Phoenix Life 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) Non-attributable expenses

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature not covered by the per policy expense assumptions plus the expected payment in the year following the valuation date to Pearl Group Services Limited as described in paragraph 6(5).

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

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 assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
GBP	5,668	4,810
Euro	0	372
USD	0	484
Other	0	1
Total	5,668	5,668

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

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) Most Onerous Scenario Under INSPRU 3.1.16(R)

Pearl Assurance Limited is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

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

Not applicable – see 7(4).

(6) Resilience Capital Requirement

Not applicable – see 7(4).

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

No additional reserve is held.

8. OTHER SPECIAL RESERVES

Details of other special reserves are set out below:

Description	Reserve (£m)
Future projects and issues (Data)	17.3

Additional Reserves

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

- The provision for Future projects and issues is a Data Contingency reserve for additional liabilities which may arise in connection with data errors affecting the long-term business.

9. REINSURANCE

(1) Facultative Treaties

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) Reinsurance Treaties

There is no significant reinsurance out of the Pearl With-Profits Fund.

10. REVERSIONARY (OR ANNUAL) BONUS

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2014 Basic Mathematical Reserve £'000	31.12.2014 Reversionary Bonus Per £14 weekly premium £	31.12.2013 Reversionary Bonus Per £14 weekly premium £	31.12.2014 Total guaranteed bonus Per £14 weekly premium £
Endowment policies	10,149	£0	£0	N/A
Whole Life policies	158,385	£22	£14	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2014 Basic Mathematical Reserve £'000	31.12.2014 Reversionary Bonus %	31.12.2013 Reversionary Bonus %	31.12.2014 Total guaranteed bonus %
Life regular premium	81,497	6%	4%	N/A
Pensions regular premium	214,895	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2014 Basic Mathematical Reserve £'000	31.12.2014 Reversionary Bonus %	31.12.2013 Reversionary Bonus %	31.12.2014 Total guaranteed bonus %
Life regular premium and paid up policies	370,584	0%	0%	N/A
General annuity fund regular premium and paid up policies	66,065	0%	0%	N/A
Pensions regular premium and paid up policies	984,235	0%	0%	N/A
Pensions single premium	506,457	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP - PP

Bonus Series	31.12.2014 Basic Mathematical Reserve £'000	31.12.2014 Reversionary Bonus %	31.12.2013 Reversionary Bonus %	31.12.2014 Total guaranteed bonus %
Regular Premium	948,546	0%	0%	N/A
Single Premium	179,544	0%	0%	N/A
Protected rights DSS recurring single premium	847,497	0%	0%	N/A

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

Bonus Series	31.12.2014 Basic Mathematical Reserve £'000	01.01.2014 to 31.12.2014 Reversionary Bonus %	31.12.2014 Total guaranteed bonus %
Life policies issued in 1995	8,680	0.75% / 0.42%	N/A
Life policies issued after 1995	231,324	0.75% / 0.42%	N/A
Pensions policies	339,108	1.75% / 0.85%	N/A
ISA Bonus Account policies	118,935	0.5% / 0.25%	N/A
Bonus Account policies	7,046	0.4% / 0.2%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2014 Basic Mathematical Reserve £'000	31.12.2014 Reversionary Bonus %	31.12.2013 Reversionary Bonus %	31.12.2014 Total guaranteed bonus %
Portfolio Bond 1a	12,294	1.00%	1.00%	N/A
Portfolio Bond 1b	13	1.00%	1.00%	N/A
Portfolio Bond 2	3,120	1.00%	1.00%	See Note (1)
Investment Bond	0	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	58,856	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions	688	2.00%	1.50%	N/A
Group Pensions	53,364	1.50%	1.50%	N/A
Capital Account Pensions	57,437	7.25%	5.25%	N/A
Immediate Annuities Series 3 & 4	66,065	4.50%	4.47%	N/A

Notes:

1. For Portfolio Bond 2, there is an additional 2% bonus added at the fifth policy anniversary to all funds in force at that time plus another 2% bonus every five years thereafter.
2. The bonus rates shown are gross of the policies' respective 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.

SERP With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable.

(2) Premiums on Reviewable Protection Policies

Not applicable.

(3) Non-profit Deposit Administration

Not applicable.

(4) Service Charges on Linked Policies

Not applicable.

(5) Benefit Charges on Linked Policies

Not applicable.

(6) Accumulating With-Profits Charges

Not applicable.

(7) Unit Pricing of Internal Linked Funds

Not applicable.

(8) Tax Deductions From Internal Linked Funds

Not applicable.

(9) Tax Provisions for Internal Linked Funds

Not applicable.

(10) Discounts on Unit Purchases

Not applicable.

4. VALUATION BASIS (Other Than For Special Reserves)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

Mathematical reserves have been determined using an individual gross premium method. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

Under with-profit S620 annuities issued after April 1971, provision is made for the option that policies may vest prior to the vesting date written in the policy. The percentage of policyholders assumed to vest on reaching each retirement age is as follows:

Age	Percentage retiring
60	37.5%
65	60.0%
70	100.0%
75	100.0%

The benefits discounted are calculated on both the cash sum available at the pension date and the deferred annuity and the higher reserve is taken.

Post-vesting expenses reflect the present expense assumptions for annuities in payment, increased in line with expense inflation assumptions. Post retirement mortality is adjusted to make allowance for future mortality improvements between the year end and the vesting date in line with the Pensioner Mortality Improvement model issued by the CMI bureau.

(2) Valuation Interest Rates

The following table sets out the rates of interest used for all classes of business:

FSA Code	Product Description	2014 - GRB	2013
165	Conventional deferred annuity withprofits	2.47%	3.55%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

SERP With-Profits Fund

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt Term (bps)		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

(4) Mortality Basis

The following table sets out the mortality bases used for all classes of business:

Product Group	2014		2013		Product Code
	Males	Females	Males	Females	
Pre-vesting SERP	50% AM92	50% AF92	50% AM92	50% AF92	165
Post-vesting/In payment SERP	94.8% RMV00	94.8% RFV00	97% RMV00	97% RFV00	165

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2014, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013) blending historic improvement data with a long term annual improvement assumption of 2.5% up to age 75 reducing linearly to 0% at age 120.

Male complete life expectations for annuity contracts are as follows:

Product Group	Annuities in		Deferred	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			27.4	25.9

Female complete life expectations for annuity contracts are as follows:

Product Group	Annuities in		Deferred	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			30.3	28.9

(5) Morbidity Basis

There are no products using a morbidity basis.

(6) Expense Basis

The expense bases are as follows:

Per policy expenses, before allowance for tax relief, were as follows:

Product Group	Premium paying		Paid up & single premium		Product Code
	2014 £pa	2013 £pa	2014 £pa	2013 £pa	
CWP pensions	67.43	65.65	27.10	26.38	165
Annuity			28.74	40.20	400

Investment expenses have been allowed for through an explicit reduction of 8bps to the valuation interest rate.

(7) Inflation Rates

Expense inflation rates are:

Product Group	Expense Inflation Rate (% p.a)	
	2014	2013
All business	4.20%	4.40%

(8) Future Bonus Rates

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.

(9) Persistency

A summary of the surrender and paid-up assumptions is as follows:

FSA Code	Product	Average paid-up / lapse rate for the policy years				
		Type	1 to 5	6 to 10	11 to 15	16 to 20
165	Conventional deferred annuity withprofits	Surrender	0.50%	0.50%	0.50%	0.50%

Notes:

The surrender rates above apply to policyholders below age 60. For policyholders aged 60 and above the surrender rate is assumed to be zero.

(10) Other material basis assumptions:

Relief for tax applied to expenses is 0% for SERP pension business. Tax on investment income is set out in the following table:

Type of business	2014	2013
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

(11) Allowance for Derivatives

The fund holds a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

(12) Effect on Mathematical reserves due to changes in INSPRU

Not applicable.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Cash Rate Options

The policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. As the guarantees are very “out of the money” the proportion of fund taken as cash is assumed to be nil. This assumption is unchanged from the previous valuation. The reserve for this Guaranteed Cash Fund is set at a nominal amount of £0.1 million.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are £2.7m.

Homogeneous Risk Group	Implicit Allowances	Explicit Allowances (Investment)	Explicit Allowances (Other)	Non-attributable Expenses	Total
	£million	£million	£M	£M	£M
Non-unitised business	0	0.9	1.8	0	2.7
Total	0	0.9	1.8	0	2.7

(2) Implicit Allowances

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) Form 43 Comparison

The difference between the allowance for maintenance expenses shown above and those shown in Form 43 are due to one-off expenses and the run-off of business (since Form 43 shows actual 2014 figures while the loadings are expected 2015). The one off expenses are performance related investment management fees.

(4) New Business Expense Overrun

Not applicable.

(5) Maintenance Expense Overrun

Not applicable.

(6) Non-attributable expenses

Not applicable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), 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:

Currency	Liabilities £m	Assets £m
Sterling	1,285	1,285
Euro	0	0
Total	1,285	1,285

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

The amount of reserve for currency mismatching is £nil as sufficient sterling assets are held to cover the sterling liabilities in the table in 7(1).

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

Phoenix Life Assurance Limited is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

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

Not applicable – see 7(4).

(6) Resilience Capital Requirement

Not applicable – see 7(4).

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

No additional reserve is held.

8. OTHER SPECIAL RESERVES

An additional reserve, held at the last valuation to allow for a further prudential margin of 5% of the default deductions to allow for higher levels of default in the medium term, has been released.

9. REINSURANCE

(1) Facultative Treaties

There are no reinsurance arrangements in place for this business.

(2) Reinsurance Treaties

Not applicable.

10. REVERSIONARY (OR ANNUAL) BONUS

Compound Bonus

Bonus series	31.12.2014 Mathematical reserve £000's	31.12.2014 Reversionary bonus %	31.12.2014 Reversionary bonus %	31.12.2014 Total guaranteed bonus %	Product code
With-profit S620 deferred annuities (SERP)	1,285,257	0.00%	0.00%	-	165

London Life With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of Entry	Period Applied
Unitised With Profit Life	1999-2000	Throughout 2014
Unitised With Profit Pension	1999-2000	Throughout 2014

(2) Premiums on Reviewable Protection Policies

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

Policy fees on linked policies increased on 1 January 2014, in line with the Retail Price Index increases from September 2013 to September 2014, an increase of 2.3%.

(5) Benefit Charges on Linked Policies

During the financial year, benefit charges remained unchanged on linked policies.

(6) Accumulating With-Profits Charges

During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.

(7) Unit Pricing of Internal Linked Fund

- (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
- (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, except for the former AMP (UK) business, on which the “bid price” is rounded to the higher 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, in Life funds, allowances for tax on income and realised and unrealised capital gains.

London Life With-Profits Fund

- (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. This market adjustment is made automatically every day for business other than the former AMP (UK) business.
- (b) During the financial year there was no time at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. 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 Deductions from Internal Linked Funds

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 and the times at which the accruals are cleared.

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Fixed Interest	20%	20%	20%	20%
Fixed Interest tax accruals are settled once a year.				
Equity (Direct Holdings)	20%	19.20%	20%	19.20%
Equity (Direct Holdings) accruals for realised gains and losses are cleared once a year. Accruals for unrealised gains and losses are not cleared until the next annual settlement after they become realised.				
Equity (Collective Investment Scheme Holdings)	20%	19.20%	20%	19.20%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are settled annually. 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 2014 was 19.2%.				

The tax treatment of Life unit linked funds reinsured to the London Life Linked Assurances (LLLA) "sub-fund" of Phoenix Life Limited Non-Profit fund follows the tax treatment in that company.

(9) Tax Provisions for Internal Linked Funds

See (8) above

(10) Discounts on Unit Purchases

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.

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

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, except for the classes of business mentioned below. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

A prospective method of valuation has not been used for the following non-linked contracts:

- For Group Life and Group Reversionary Assurance business, the liability was determined as the unexpired risk at the valuation date plus an allowance for expenses.
- For Deposit Administration business, the liability was determined as the accumulation, with earned interest, of the premiums, after providing for expense charges and the cost of any group life benefits.
- Certain miscellaneous policies for which approximate mathematical reserves of adequate amount have been made.

Specific modification has been made to the gross premium method for:

- Policies issued with an addition to the age for extra risks are valued at the increased age.

For conventional with-profits business, the amounts of benefit valued includes bonuses declared on or before 31 December 2014, which apply during the period 1st July 2014 to 30th June 2015 for traditional London Life Business and during the period 1st July 2014 to 31st April 2015 for former AMP(UK) Business.

For the Cash Bonus (Reduction of Premium) product group, the value of office premiums is decreased by the value of reductions, or cash allocations, on the assumption that the rates declared for the current bonus year will remain the same throughout the duration of the policies.

For unitised with-profits contracts a prospective valuation method is used. The liability is calculated as the capitalised value of benefits purchased to date, including existing annual bonuses. The valuation reserve is subject to a minimum of the bid value of the units in force at the valuation date.

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.

Modifications to the Valuation Method

For policies in which the benefits are expressed in terms of the values of Capital Units and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

The London Life Pension Unit Linked product group is written in the with profit fund and the unit reserve is reinsured into the PLAL Non Profit Fund, where the funds' management charge arises and which prudently more than covers the related investment fees. The per-policy expenses arise in the with profit fund and there is no income to offset against these costs, thus the non-unit reserve is calculated without allowance for management fee income on the funds under management or for investment management fees on those funds.

For Investment Linked Managed Fund, Investment Linked Managed Pension Fund, and Investment Linked Guaranteed Pension Fund business, for which the contributions are applied in the purchase of units in an internal linked fund, the following method was used:

- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

(2) Valuation Interest Rates

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

FSA Code	Product Description	2014 - BLAGAB	2014 - GRB	2013
100	Conventional whole life withprofits OB	2.02%	2.02%	3.24%
120	Conventional endowment withprofits OB savings	2.46%	2.46%	3.40%
155	Conventional pensions endowment withprofits	1.32%	1.32%	1.92%
165	Conventional deferred annuity withprofits	2.22%	2.22%	3.43%
175	Group conventional deferred annuity withprofits	2.22%	2.22%	3.31%
185	Group conventional pensions endowment withpr	1.32%	1.32%	2.42%
200	Annuity withprofits (CPA)	2.19%	2.19%	3.41%
205	Miscellaneous conventional withprofits	2.15%	2.15%	3.31%
400	Annuity nonprofit (CPA)	2.08%	2.08%	3.31%
505	Life UWP whole life regular premium	1.08%	1.08%	2.11%
525	Individual pensions UWP	0.24%	0.24%	3.50%

(3) Risk Adjustments

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt		
	Term (bps)		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;
- otherwise, the sum of the dividend yield and the earnings yield, divided by two

London Life With-Profits Fund

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

(4) Mortality Basis

Products representing a significant amount of business used the following mortality bases:

Sub Fund	Product Group	2014		2013		Product Code
		Male	Female	Male	Female	
100:0 LL WPF	Cash Bonus	42% AM80	68% AF80	42% AM80	68% AF80	100, 120
100:0 LL WPF	Fund R Compound Bonus	51% AM80	84% AF80	51% AM80	84% AF80	100, 120, 335
100:0 LL WPF	Fund T Compound Bonus	70% AMC00	70% AFC00	70% AMC00	70% AFC00	120, 165
100:0 LL WPF	AMPUK Life Business	116% AMC00	107% AFC00	116% AMC00	107% AFC00	100, 120, 205
100:0 LL WPF	Pension Compound Bonus	70% AMC00	70% AFC00	70% AMC00	70% AFC00	155, 165
100:0 LL WPF	AMPUK Pensions Business	95% AMC00	95% AFC00	95% AMC00	95% AFC00	155
100:0 LL WPF	Fund W Deferred (pre-vesting)	70% AMC00	70% AFC00	70% AMC00	70% AFC00	165
100:0 LL WPF	Fund W Deferred (post-vesting)	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	83.3% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	165
100:0 LL WPF	Fund W In Payment Simple Bonus	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	83.3% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	200
100:0 LL WPF	SPP With Profit Immediate Annuity	85.6% PCMA00	83.3% PCFA00	87.8% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2009_F [3.25% to age 60, reducing linearly to 0% from age 120]	200
100:0 LL WPF	Unitised With Profit Pension	70% AMC00	70% AFC00	70% AMC00	70% AFC00	155
100:0 LL WPF	London Life Pension unit linked	100% A67/70 Ult	100% A67/70 Ult minus 4 yrs	100% A67/70 Ult	100% A67/70 Ult minus 4 yrs	725, 745

London Life With-Profits Fund

For annuity contracts life expectation for males is as follows:

Sub Fund	Product Group	Annuities in		Deferred	
		Age 65	Age 75	Age 45	Age 55
100:0 LL WPF	Fund W - Deferred Annuities			28.6	27.1
100:0 LL WPF	SPP With Profit -Immediate Annuity	25.6	15.9		
100:0 LL WPF	Fund W Immediate Annuity	25.6	15.9		

For annuity contracts life expectation for females is as follows:

Sub Fund	Product Group	Annuities in		Deferred	
		Age 65	Age 75	Age 45	Age 55
100:0 LL WPF	Fund W - Deferred Annuities			30.7	29.3
100:0 LL WPF	SPP With Profit -Immediate Annuity	27.8	17.8		
100:0 LL WPF	Fund W Immediate Annuity	27.8	17.8		

(5) Morbidity Basis

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

(6) Expense Basis

The expense bases are as follows:

NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Sub fund	Product Group	2014 £pa	2013 £pa	Tax Relief	Product Code
100:0 LL WPF	Conventional endowment with-profits OB savings (AMP Life)	42.46	43.01	20%	120
100:0 LL WPF	Conventional endowment with-profits OB savings (Fund P and Fund R)	41.58	42.13	20%	120
100:0 LL WPF	Conventional pensions endowment with-profits	106.37	106.15	0%	155
100:0 LL WPF	Conventional deferred annuity with-profits	41.58	42.13	20%	165
100:0 LL WPF	Conventional deferred annuity with-profits	46.97	47.63	0%	165
100:0 LL WPF	Individual pensions UWP	106.37	106.15	0%	525

LINKED BUSINESS

Sub fund	Product Group	2014 £pa	2013 £pa	Product Code
100:0 LL WPF	Life property linked	47.37	47.37	700
100:0 LL WPF	Individual pension property linked	106.37	106.15	725

LINKED AND NON-LINKED BUSINESS

Gross Investment expenses

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

Sub fund	Product Groups	2014 bps	2013 bps
100:0 LL WPF	All	17	17

Furthermore, a performance fee overlay has been introduced which works to reward Ignis Asset Management Ltd for over-performance but applies a penalty on under-performance. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

LINKED AND NON-LINKED BUSINESS

(7) Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		Dec-14	Dec-13
90:10	Expense inflation	2.90%	3.50%
All	Policy fee inflation	2.30%	2.80%

(8) Future Bonus Rates

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 SPP With Profit Immediate annuities where allowance is made for the guaranteed annual bonus.

(9) Surrender/Lapse Rates

No allowance is made for surrender and lapse rates other than for Guaranteed Annuity Options.

(10) Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits business.

(11) Tax Rates

Relief for tax applied to expenses is 20% for UK Life non-linked business and 0% for UK Pension business and UK Life linked business.

Tax on investment income is set out in the following table:

Type of business	2014	2013
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(12) Allowance for Derivatives

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.

(13) Effect on Mathematical reserves due to changes in INSPRU

There have been no changes since the previous valuation.

5 OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract.

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

Assumption	Sub Fund	Product Group	2014
Take up Rate	100:0 LL WPF	All	69%
Rate of interest	Life	All	2.22%
	Pensions	All	1.32%
Tax	Life	All	20%
	Pensions	All	0%
Mortality in payment	All	Male	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]
	All	Female	83.3% PCFA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]
Retirement Rates	All	All	Normal retirement age

Notes:

1. Where the take up rates are below 95% they are assumed to taper to 95% over 20 years.

(b) Details summarised below:

Type of Business	Product Code	Product name	Basic reserve £'000	Spread of Outstanding durations ⁽¹⁾	Guarantee reserve £'000	GAR (% fund for 65 year old male) ⁽²⁾	Increments allowed?	Annuity form ⁽³⁾	Retirement Age
UK Life	120	Fund R Bonus Compound	532	1-22 years	291	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Bonus Compound	2,295	1-12 years	1,281	9%	No	See Note 3	See Note 3
UK Pension	120	Former Pension AMPUK	34,297	1-27 years	19,166	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	30,240	1-17 years	21,016	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	4,217	1-16 years	2,725	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	66,707	1-32 years	35,040	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	11,252	1-36 years	325	6%	Yes	See Note 3	See Note 3

Notes:

1. The spread of outstanding durations has been taken as the term to expected retirement.
2. Guaranteed annuity rates are for the following form of annuity: Single life, annual in advance, no escalation or guarantee period and are shown to whole numbers.
3. Different products offer different guaranteed terms. All common forms of annuity types are offered at a wide range of retirement ages.

(2) Guaranteed Surrender and Unit-linked Maturity Values

No investment performance guarantee is given on linked contracts. The prices of units in the Deposit Fund are guaranteed not to fall. The underlying assets are entirely cash or cash-based collective investment schemes.

All guaranteed surrender values are allowed for in the valuation of the basic mathematical reserve.

(3) Guaranteed Insurability Options

Not applicable

(4) 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:

Assumption	2014
Rate of interest	2.46%
Mortality – Conventional Life Endowment	116% AMC/AFC00 Ult
Mortality – AMPUK Business	89% AM/AF80 Ult

The amount of business involved had a basic mathematical reserve of £46.2m with additional reserves of £3.3m.

6 EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading.....	£ 2.1 million
Allowance for investment management expenses...	£ 0.9 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

(2) Implicit Allowances

All provisions for future expenses have been made using explicit methods, except for investment expense allowances where a margin in the valuation interest is used.

(3) Form 43 Comparison

The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.

(4) New Business Expense Overrun

Since London Life is closed to new business other than for increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.

(5) Maintenance Expense Overrun

No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the attributable 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 the 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 Limited 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 Phoenix Life Assurance Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As the London Life With-Profits fund 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) Non-attributable expenses

There are no non-attributable expenses.

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves.

(2) Other Currency Exposures

No currency mismatch reserves are held as the mathematical reserves are covered by assets in sterling. For the premium withheld, the arrangement is such that the liability is equal to the value of the assets. In addition, there are currency hedges in place to remove exposure from any currency movements.

(3) Currency Mismatching Reserve

Phoenix Life Assurance Ltd is a realistic reporting firm to which GENPRU 2.1.8R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

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

Not Applicable see 7 (3) above

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

Not Applicable see 7 (3) above

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

No additional reserve is held.

8 OTHER SPECIAL RESERVES

There are four special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves. These are:

Provision	£m
Data	1.60
Litigation	1.00
Fender	0.60

9 REINSURANCE

(1) Facultative Treaties

Reinsurance has not been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.

(2) Reinsurance Treaties

There is no significant reinsurance out of the London Life With Profits Fund.

10 REVERSIONARY (OR ANNUAL) BONUS

Life Compound Bonus Participation Pool (1)

Bonus Series	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	45,800	0.00%	44,950	0.00%

AMPUK Life Participation Pool (2)

Bonus Series	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	Mathematical reserve	reversionary bonus	Mathematical reserve	reversionary bonus
	£000	%	£000	%
AMPUK Life: JU, GJU, GRU, Gift, TU,	52,467	0.00%	39,346	0.00%
AMPUK Life: AU, AUF, QU, GU	23,180	0.00%	17,383	0.00%
AMPUK Life: ALU, ALUF, AJLU, (X)N	33,125	0.00%	24,841	0.00%

Cash Bonus Participation Pool (3)

Bonus Series	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	Mathematical reserve	reversionary bonus	Mathematical reserve	reversionary bonus
	£000	%	£000	%
Fund P Assurance (up to 68th series)	40,981	3.00%	33,396	3.00% (Cash Bonus)
Fund P Assurance (69th series onwards)	18,775	2.00%	15,300	2.00% (Cash Bonus)

Simple Bonus Participation Pool (4)

Bonus Series	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	Mathematical reserve	reversionary bonus	Mathematical reserve	reversionary bonus
	£000	%	£000	%
Fund W Deferred	12,400	0.00%	15,568	0.00%
Fund W Annuities in Payment	87,678	7.00%	58,324	7.00%

Pension Compound Bonus Participation Pool (4)

Bonus Series	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	Mathematical reserve	reversionary bonus	Mathematical reserve	reversionary bonus
	£000	%	£000	%
VIPMIG and BIGVIP + RPP84	50,123	0.00%	63,368	0.00%
POLMIG, GRPAVC, RPP85	44,239	0.00%	55,930	0.00%
V9a, V9B, V9C	44,396	0.00%	56,128	0.00%
V71, V72, V73	5,084	0.00%	6,428	0.00%
PPS, PPSTV, MINPPS, VIPLUS, VIPMIGO	50,384	0.00%	63,698	0.00%
SPP Bonus Series 3	10,553	4.50%	13,342	0.00%
SPP Bonus Series 4	24,766	4.50%	31,310	0.00%

AMPUK Pension Participation Pool (4)

Bonus Series	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	73,852	0.00%	55,674	0.00%
AMPUK Pensions: PAC	20,968	0.00%	15,807	0.00%
Deposit Administration GKA	14,988	2.60%	11,299	1.80%

Unitised With Profit Pension Participation Pool (5)

Bonus Series	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %
UWP Pension	6,843	2.5% / 5%	7,666	2.5%/5%

Notes:

1. The asset shares in these participation pools are invested in the Active (Excluding AMP) Block (see note 4801).
2. The asset shares in these participation pools are invested in the Active (AMP) Block (see note 4801).
3. The asset shares in these participation pools are invested in the Passive (Cash Bonus) Block (see note 4801).
4. The asset shares in these participation pools are invested in the Passive (Pensions) Block (see note 4801).
5. The asset shares in the unitised with profit participation pools are invested in the UWP Block (see note 4801).
6. Super compound bonus rates are shown as rates applied to the basic sum assured / bonus sum assured.
7. Reversionary Bonus for Deposit Admin GKA was for 31.12.2014 is an interim bonus.

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.

PLAL Non Profit Fund

3 DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not Applicable

(2) Premiums on Reviewable Protection Policies

Policies previously written in Pearl Assurance Ltd

There have been no changes to premium rates for Pension and Life reviewable protection policies during the financial year.

Policies previously written in London Life Limited

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non Profit deposit administration contracts

No policies have been sold in this category.

(4) Service Charges on Linked policies

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

Policy fees on linked policies increased on 1 January 2015, in line with the Retail Price Index increases from September 2013 to September 2014, an increase of 2.3%.

(5) Benefit Charges on Linked Policies

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

During the financial year, benefit charges remained unchanged on linked products.

(6) Accumulating With Profits Charges

Not Applicable

(7) Unit Pricing for Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

(a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.

- (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, except for the former AMP (UK) business, on which the “bid price” is rounded to the higher 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, in Life funds, 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. This market adjustment is made automatically every day for business other than the former AMP (UK) business.

(b) During the financial year there was no time at which different pricing bases applied to different policies.

(c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. 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 Deductions From Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in equity funds are index-adjusted. There is no allowance for tax in the internal linked Pension funds.

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

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Fixed Interest	20%	20%	20%	20%
Fixed Interest tax accruals are settled once a year.				
Equity (Direct Holdings)	20%	19.20%	20%	19.20%
Equity (Direct Holdings) accruals for realised gains and losses are cleared once a year. Accruals for unrealised gains and losses are not cleared until the next annual settlement after they become realised.				
Equity (Collective Investment Scheme Holdings)	20%	19.20%	20%	19.20%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are settled annually. 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 2013 was 19.2%.				

The tax treatment of Life unit linked funds (formerly the London Life Linked Assurance policies) reinsured to the Phoenix Life Limited Non Profit Fund follows the tax treatment in that company.

(9) Tax Provisions For Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

See (8) above.

(10) Discounts On Unit Purchases

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

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.

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

Non Profit Conventional

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including those on rider benefits); plus maintenance expenses; plus

investment expenses; less office premiums receivable. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

For business taxed on "I-E" the discount rate is net of policyholder tax and expenses are net of tax relief.

For decreasing temporary assurances covering mortgages the sums assured decrease in accordance with tables of expected outstanding mortgage amounts.

For deposit administration contracts, the interest rates credited to current balances in the projections allow for any guarantees in the rates.

Mathematical reserves for policies with member records (for example Group Life and Group Term Assurances) are determined at individual member level in the same way as reserves on individual temporary assurances.

Individual Income Protection (PHI)

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable; plus maintenance expenses; less office premiums receivable. Premiums are waived during periods of claim. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

Expected claims on active policies allow for claim inception and recovery rates. Expected claims on policies on claim at the valuation date allow for recovery rates.

Mathematical reserves for policies with member records (Group PHI) are determined at individual member level in the same way as reserves on individual income protection policies.

Non-Profit Immediate Annuities (including Index Linked Annuities)

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (allowing for any guaranteed minimum payment period and payments to second lives on joint life policies); plus maintenance expenses. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

For business taxed on "I-E" the discount rate is net of policyholder tax and expenses are net of tax relief.

Property Linked

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including any guaranteed minimum death benefits or benefits on temporary assurance riders); plus maintenance expenses; less office premiums receivable. Investment management expenses on the unit funds are projected explicitly in the non-unit reserve calculation. Other investment management expenses are allowed for by reducing the discount rate used to determine the non-unit reserves. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

The effect of annual management charges, allocation rates, bid/offer spreads, and other policy charges (including those for temporary assurance riders) is allowed for in determining the non-unit reserve. A recursive approach is used to eliminate future valuation strain.

The growth rates used to accumulate unit values are weighted averages of prudent expected returns on the classes of assets (equity, property, approved fixed interest, unapproved fixed interest, and cash) in the unit funds.

Unit cancellations on income drawdown products are allowed for at the drawdown rates current at the valuation date.

Vested loyalty bonus units are allowed for in the unit reserve. Any future accrual of loyalty bonus units is allowed for in determining the non-unit reserve.

For business taxed on "I-E" the unit growth rate and discount rate are net of policyholder tax, and expenses are net of tax relief.

The total reserve is the discounted value of the units plus the non-unit reserve; and non-unit reserve has a lower limit of zero. Hence mathematical reserves cannot be less than zero.

For deposit administration contracts, the interest rates credited to current balances in the projections allow for any guarantees in the rates

(2) Valuation Interest Rates

Policies previously written in Pearl Assurance Ltd

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business.

Product Group	2014	2013	Product Code
Conventional General Annuity pre 1992	1.70%	3.23%	390, 395, 400
Conventional Life Assurances	1.70%	2.51%	300, 325, 435
Yearly Renewable Term Assurances	1.70%	3.08%	325, 435
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	2.48%	3.34%	400
Reinsurance Accepted from NP Life Immediate Annuities	2.48%	3.34%	400
Conventional Pensions Immediate Annuities – index linked	2.31%	3.50%	905
Reinsurance Accepted from NP Life Immediate Annuities – index linked	2.31%	3.50%	905

Policies previously written in London Life Limited

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

Product Group	2014	2013	Product Code
Immediate annuities	1.70%	2.58%	395, 905
Pension deferred annuities	2.01%	3.39%	390
Life deferred annuities	1.70%	2.56%	390
AMPUK Life unit linked	1.70%	0.25%	700, 715, 795
Level immediate annuities	2.48%	3.34%	400
Index-linked immediate annuities	2.31%	3.50%	905
AMPUK Pension unit linked	1.74%	0.25%	725, 745
Policies on maturity	2.01%	3.12%	390
Deferred Annuities	2.01%	3.35%	390

(3) Risk Adjustments

Approved Securities

No reduction was applied other than a yield deduction on sovereign debt rated below AAA, or sovereign debt rated AAA but notched downwards to below AAA in line with the description for other securities below.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt Term (bps)		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;
- otherwise, the sum of the dividend yield and the earnings yield, divided by two

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

(4) Mortality Basis

Policies previously written in Pearl Assurance Ltd

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

Product Group	2014		2013		Product Code
	Male	Female	Male	Female	
Conventional Life Assurances	116% AMC00	116% AFC00	116% AMC00	116% AFC00	300, 435
Conventional General Annuity Immediate Annuities	105.5% RMV00 Improvements CMI_2012 ⁽²⁾	94.1% RFV00 Improvements CMI_2012 ⁽²⁾	109.2% RMV00 Improvements CMI_2012 ⁽²⁾	106.8% RFV00 Improvements CMI_2012 ⁽²⁾	395, 400
Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390
Conventional Non Profit post vesting	105.5% RMV00 Improvements CMI_2012 C2031 ^{(2) (3)}	94.1% RFV00 Improvements CMI_2012 C2031 ^{(2) (3)}	109.2% RMV00 Improvements CMI_2012 C2031 ^{(2) (3)}	106.8% RFV00 Improvements CMI_2012 C2031 ^{(2) (3)}	390
Term Assurance non-YRT	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	325, 435
Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NPLL, London Life With Profit and SERP)	105.5% RMV00 Improvements CMI_2012 ⁽²⁾	94.1% RFV00 Improvements CMI_2012 ⁽²⁾	109.2% RMV00 Improvements CMI_2012 ⁽²⁾	106.8% RFV00 Improvements CMI_2012 ⁽²⁾	400, 905
Reinsurance Accepted from NPLL Immediate Annuities	105.5% RMV00 Improvements CMI_2012 ⁽²⁾	94.1% RFV00 Improvements CMI_2012 ⁽²⁾	99.7% RMV00 Improvements CMI_2012 ⁽²⁾	96.9% RFV00 Improvements CMI_2012 ⁽²⁾	400, 905
Vestings from London Life With Profit Fund Immediate Annuities	105.5% RMV00 Improvements CMI_2012 ⁽²⁾	94.1% RFV00 Improvements CMI_2012 ⁽²⁾	87.8% PMA00 Improvements CMI_2012 ⁽²⁾	85.5% PFA00 Improvements CMI_2012 ⁽²⁾	400, 905
Vestings from SERP Immediate Annuities	105.5% RMV00 Improvements CMI_2012 ⁽²⁾	94.1% RFV00 Improvements CMI_2012 ⁽²⁾	90.2% RMV00 Improvements CMI_2012 ⁽²⁾	96.9% RFV00 Improvements CMI_2012 ⁽²⁾	400, 905

Notes:

1. The basis uses an average scaling % factor to give a prudent margin of 5% in aggregate over both the Non-Smoker and Smoker sub-groups of the product group.
2. CMI 2012 improvements 2.5% for ages up to age 75, reducing linearly down to 0% at age 120.
3. CMI Uses C = 2031 for both Males and Females, chosen to approximate U = 2013

Policies previously written in London Life Limited

Products representing a significant amount of business used the following mortality bases:

Product Group	2014		2013		Product Code
	Male	Female	Male	Female	
AMPUK Life unit linked	100% A67-70 Ult	100% A67-70 Ult – 4 yrs	100% A67-70 Ult	100% A67-70 Ult – 4 yrs	700, 715, 795
Immediate Annuities	87.9% PCMA00 Improvements CMI_2012_M ⁽¹⁾	85.5% PCFA00 Improvements CMI_2012_F ⁽¹⁾	87.8% PMA00 Improvements CMI_2012_M ⁽¹⁾	85.5% PFA00 Improvements CMI_2012_F ⁽¹⁾	395
Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
Deferred Annuities (post-vesting)	87.9% PCMA00 Improvements CMI_2012_M C2033 ⁽¹⁾ ₍₂₎	85.5% PCFA00 Improvements CMI_2012_F C2036 ^{(1) (2)}	87.8% PMA00 Improvements CMI_2012_M C2033 ^{(1) (2)}	85.5% PFA00 Improvements CMI_2012_F C2036 ^{(1) (2)}	390
AMPUK Pensions unit linked	100% A67-70 Ult	100% A67-70Ult - 4yrs	100% A67-70 Ult	100% A67-70Ult - 4yrs	725, 745

- Where appropriate, additional reserves for extra mortality from AIDS are established.
- The additional reserves are calculated assuming an 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party
- These will apply to male lives only and is included within the reserves for relevant product lines.

Notes:

1. CMI 2012 improvements 2.5% for ages up to age 75, reducing linearly down to 0% at age 120.
2. CMI Uses C = 2033 for Males and C = 2036 for Females, chosen to approximate U = 2013.

Policies previously written in Pearl Assurance Ltd

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

Product Group	Annuities in payment	
	Age 65	Age 75
Conventional General Annuity Immediate Annuities	23.5	14.4
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	23.5	14.4
Reinsurance Accepted from NPLL Immediate Annuities	23.5	14.4
Vestings from London Life With Profit Fund Immediate Annuities	23.5	14.4
Vestings from SERP Immediate Annuities	23.5	14.4

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

Product Group	Annuities in payment	
	Age 65	Age 75
Conventional General Annuity Immediate Annuities	27.6	17.6
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	27.6	17.6
Reinsurance Accepted from NPLL Immediate Annuities	27.6	17.6
Vestings from London Life With Profit Fund Immediate Annuities	27.6	17.6
Vestings from SERP Immediate Annuities	27.6	17.6

Policies previously written in London Life Limited

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Life Deferred Annuities			28.4	26.9
Life Immediate Annuities	25.4	15.7		
Pensions Deferred Annuities			28.4	26.9
Pensions Immediate Annuities	25.4	15.7		

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Life Deferred Annuities			30.5	29.1
Life Immediate Annuities	27.6	17.6		
Pensions Deferred Annuities			30.5	29.1
Pensions Immediate Annuities	27.6	17.6		

(5) Morbidity Basis

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

(6) Expenses

Policies previously written in Pearl Assurance Ltd

The expense bases are as follows:

NON LINKED BUSINESS

Product Group	2014 £pa	2013 £pa	Product Code
Life Immediate Annuities	55.31	53.95	400
Pensions Immediate Annuities Pre March 2018	30.54	29.79	400
Pensions Immediate Annuities Post March 2018 (1)	55.31	53.95	400
Life Term Assurance and Conventional Non Profit	64.24	62.66	300
Pensions Term Assurance and Conventional Non Profit	55.30	53.95	325

Note:

- 1 This is the expense assumption to be used post 2018 to allow for the agreement that PLAL has in place with Pearl Group Services Ltd.

The expenses on life business are netted down for tax at 20%.

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:

Product Group	2014 Bp	2013 Bp
Life business	10	10
Pension business	9	9

Policies previously written in London Life Limited

The expense bases are as follows:

NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

	2014 £pa	2013 £pa	Product Code
Pension Immediate Annuities	22.33	24.20	400
Level term assurance	11.11	12.10	325
Decreasing term assurance	11.11	12.10	330

The expenses on life business are netted down for tax at 20%.

LINKED BUSINESS

Product Group	2014 £pa	2013 £pa	Product Code
Life property linked endowment	24.97	27.17	715
Individual pension property linked	24.97	27.17	725
Group money purchase pension property linked	24.97	27.17	735

LINKED AND NON-LINKED BUSINESS

Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates (but see note 1 below for unit linked business). The table below sets out the basis point reductions applied:

Product Groups	2014 bps	2013 bps
All life conventional business	10	10
All life unit linked business ⁽¹⁾	31	31
All pension conventional business	9	9
All pension unit linked business ⁽¹⁾	31	31

Note:

1. These expenses are allowed for explicitly in calculating future cash flows.

(7) Unit Growth Rates and Expense Inflation

Policies previously written in Pearl Assurance Ltd

NON LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2014	2013
Life Expense inflation	3.0%	3.5%
Pensions Expense inflation	3.2%	4.1%

Policies previously written in London Life Limited

LINKED BUSINESS

Unit growth rates, before allowance for tax relief and management charges, were as follows:

Product Group	Unit Growth Rate (% p.a.)	
	2014	2013
AMP Unit Linked Pension	2.40%	3.70%
AMP Unit Linked Life	2.30%	3.55%

LINKED AND NON-LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2014	2013
Expense inflation	3.60%	4.10%
Policy fee inflation	2.30%	2.80%

(8) Future Bonus Rates

Not applicable.

(9) Persistency Assumptions

Policies previously written in Pearl Assurance Ltd

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

Product ^{(1) (2) (3)}	Lapse assumptions for the policy years									
	1	2	3	4	5	6	7	8	9	10+
Level term	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Decreasing term	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

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.

Policies previously written in London Life Limited

Surrender/Lapse Rates

No allowance is made for surrender and lapse rates.

Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits and unit linked business.

For unit-linked business the calculation is performed assuming the policy becomes paid up at the valuation date.

(10) Other Material Assumptions

Retirement Rates

The following proportions of policyholders retiring at each possible retirement age have been assumed:

Age Attained	2014	2013
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

Tax Rates

Relief for tax applied to expenses is 20% for UK Life non-linked business and 0% for UK Pension business and UK Life linked business.

Tax on investment income is set out in the following table:

Type of business	2014	2013
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(11) Allowance for Derivatives

The funds hold a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

(12) Effect on Mathematical reserves due to changes in INSPRU

There have been no changes since the previous valuation

5 OPTIONS AND GUARANTEES

Not Applicable.

6 EXPENSE RESERVES

(1) Aggregate Expense loadings

Policies previously written in Pearl Assurance Ltd

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
Other	0	1	7	0	8
Total	0	1	7	0	8

Policies previously written in London Life Limited

The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading.....	£ 1million
Allowance for investment management expenses.....	£ 1 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

(2) Implicit Allowance

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) Form 43 Comparison

The amount of expense loadings expected to arise in the next 12 months is different from the maintenance expenses shown on Form 43. This is mainly due to one-off project expenses that were incurred in 2014.

(4) New Business Expense Overrun

Since Phoenix Life Assurance Ltd does not 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) Maintenance Expense Overrun

No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the attributable 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 the 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 Limited 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 London Life Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Phoenix Life Assurance Ltd does not write 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) Non-attributable expenses

Policies previously written in Pearl Assurance Ltd

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature not covered by the per policy expense assumptions plus the expected payment in the year following the valuation date to Pearl Group Services Limited as described in paragraph 6(5).

Policies previously written in London Life Limited

There are no non-attributable expenses.

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves. There is a premium withheld arrangement of £1,801m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £461m worth of assets in USD and £191m worth of assets in Euro.

(2) Other Currency Exposures

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.

(3) Currency Mismatching Reserves

Phoenix Life Assurance Ltd is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

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

Not applicable – see 7(3).

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

Not applicable – see 7(3).

(6) Resilience Capital Requirement

Not applicable

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

No additional reserve is held.

8 OTHER SPECIAL RESERVES

Opal mortality basis provision

A £5m reserve is held to cover the cost of future mortality basis strengthening on annuities reassured to Opal Re. This is driven by a clause in the reinsurance treaty.

9 REINSURANCE

(1) Facultative Reinsurance

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) Reinsurance Treaties

The following table shows the principal reinsurance treaties used:

PLAL Non Profit Fund

Reinsurer	Nature and Extent of the Cover	Premium	Premium withheld	Closed to New Business?	Amount of Undischarged Obligation	Mathematical Reserves Ceded	Retention by the Insurer
		£m	£m			£m	
Opal Reassurance Ltd	Liability to pay the Basic Annuity.	0	1,801	Yes	Nil	1,658	Nil
Phoenix Life Limited Non Profit Fund	100% reinsurance of unit-linked liabilities	Nil	Nil	No	Nil	11	Nil

Opal Reassurance Ltd

- l) Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom
- m) Opal Reassurance Limited is part of the Phoenix group of companies.
- n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- o) No provision has been made for any liability of the insurer to refund any reinsurance commission in the event of lapses or surrender of the contract. Any refunds are met out of the corresponding premiums from the reinsurer.
- p) N/A, as the arrangement with Opal Reassurance Limited is not a financing arrangement.

10 REVERSIONARY (OR ANNUAL) BONUS

Not Applicable.

APPENDIX 9.4A

PHOENIX LIFE ASSURANCE LIMITED

Abstract of Valuation Report for Realistic Valuation

1. Introduction

(1) Valuation Date

The valuation date is 31 December 2014.

(2) Previous Valuation

The previous valuation date was 31 December 2013.

(3) Interim Valuations

An interim valuation was carried out at 30 June 2014.

APPENDIX 9.4A

PEARL WITH-PROFITS FUND

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

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

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

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

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current	Previous	Current	Previous
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

Expense inflation is assumed to be RPI plus 1%.

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

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

There have been no changes to methods or assumptions since the previous valuation except where previously regulatory reserves were used for some paid-up business, a retrospective method is now used.

(1) Calculation Of With-Profits Benefits Reserve

The table below shows the methods used to calculate the with-profits benefits reserve.

Product Class	Method used to calculate With-Profits Benefit Reserve	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	479.8	108.9
CWP Life	Retrospective	668.2	373.1
Life Total	Retrospective	1,148.0	482.0
UWP Pensions	Retrospective	3,046.6	1,184.6
CWP Pensions	Retrospective	539.6	805.7
Total Pensions		3,586.1	1,990.3
Total		4,734.2	2,472.3
Form 19 Line 31		4,734.2	-
Form 19 Line 49		-	2,472.3

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) The new methodology uses a retrospective approach for all business except for WP immediate annuities reinsured from the London Life WP fund. In the case of policies which were previously valued using a prospective approach, the base point for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

- (a) As maintenance expenses are defined in the Management Service Agreement, an expense investigation is not necessary.

Expenses consist of:

- Defined per policy maintenance and annual management 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.

(ii)

Expenses Allocated to With-Profits Benefits Reserve during 2014	
Expense Type	Amount £m
Initial Expenses	0.0
Maintenance Expenses	34.2
Investment Expenses	14.5
Total Expense	48.7

Maintenance expenses made up of service company charges plus project and direct costs of £0.7m less payments of £0.6m received for an expense inflation hedge.

(iii) For product lines other than unitised with-profit the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as annual management charges (maintenance expenses were expressed as per policy amounts up to the end 2007), and for investment management expenses expressed as a percentage of funds under management.

For unitised with-profit business an allowance for expenses is made through an annual management charge expressed as a percentage of the fund.

(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 valued at £4.2m.

(4) Significant Charges

In 2007 the Liability Management Project introduced measures to de-risk the estate and hence increase the amount of estate available for distribution to policyholders. The measures included the transfer of the risks arising from:

- the costs of guarantees (other than those in connection with the Mortgage Endowment Promise or pensions misselling), and
- the costs of smoothing from the estate to the asset shares.

The adjustments to asset shares arising from this transfer of risks can be in the form of credits added to or charges deducted from the relevant asset shares. The guarantee and smoothing adjustments applied in 2014 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2014¹		
Date Applied	IB	OB
01-Jan-14	0.00%	0.60%
01-Jul-14	1.00%	0.42%

Smoothing Adjustments Applied to Asset Shares in 2014¹		
Date Applied	IB	OB
01-Jan-14	-0.009%	0.006%
01-Jul-14	-0.011%	0.002%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

The guarantee and smoothing adjustments applied in 2013 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2013¹		
Date Applied	IB	OB
01-Jan-13	0.98%	0.00%
01-Jul-13	1.00%	0.39%

Smoothing Adjustments Applied to Asset Shares in 2013¹		
Date Applied	IB	OB
01-Jan-13	-0.027%	0.016%
01-Jul-13	0.001%	0.018%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

(5) Charges For Non-Insurance Risk

For Direct Unitised Accumulating with-profits business other than Personal Pensions, 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) Ratio Of Claims To Reserve

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below.

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2014	118%
2013	116%
2012	110%

The previous table shows 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) Allocated Return

The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2014 was 10.29% (8.48% after tax and before expenses).

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

WP immediate annuities reinsured from the London Life WP fund are modelled on a prospective basis. Section 2(1) shows the economic assumptions used in determining the with-profits benefit reserve. Expense inflation is set to RPI inflation plus 1%.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach.

(b) (i) No projections are carried out on individual policy data.

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

(iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

The total number of with-profits contracts included in the model at 31 December 2014 was 711,481 (comprising 419,160 pension contracts and 292,321 life contracts). These contracts were grouped into a total of 8,178 model points (comprising 5,308 pensions and 2,870 life).

(c) Not applicable.

(3) Significant Changes

Cost of guarantees and options

At the valuation date all guarantees and options are valued using a stochastic approach. At the previous valuation date a relatively small volume of the total guarantees and options were valued using a deterministic approach and their value was included within with-profits benefits reserves.

Cost of smoothing

At the previous valuation date, projected smoothing costs were determined stochastically by considering the difference between annual returns and the maximum permitted annual change in bonus rates. The impact overall on the realistic liabilities was however negligible due to the fact that any smoothing costs (and profits) are recycled back into the asset shares of in-force policies and therefore there is an

offsetting future deduction (or enhancement) valued for any smoothing cost (or profit) modelled. At the current valuation date no future smoothing costs are valued.

Dynamic investment rules

At the previous valuation date, the asset mix assumed for determining the cost of guarantees and options was decided dynamically in the model with regards to the holding of the 'quant' and 'fundamental' asset classes, which were assumed to be switched into gilts and cash in scenarios of under-performance compared to risk-free returns. At the current valuation date, the asset mix is fully deterministic and no such dynamic investment rules are being assumed.

(4) Further Information on Stochastic Approach

(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.
- 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.
- 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 the former Pearl Assurance Ltd and those where they are shared between the former Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of Phoenix Life Limited. Generally, these guarantees are in-the-money.

(ii) There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation. This model assumes that:

- A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption implied volatilities.
- Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the

credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

- All equity processes are modelled using a Stochastic Volatility Jump Diffusion (SVJD) model.

Interest rates

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.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte's.

The market swaption volatilities were supplied by Deloitte's.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

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

The following table show the credit spreads over gilts + 10bp at 31 December 2014 in basis points:

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	-	50	85	139
4	-	64	100	177
7	66	87	108	213
9	57	88	137	201
12	-	90	157	200
15	54	105	151	202

Note that for some AAA rated bonds the initial spread information is not available

The long term volatility target at the current valuation date is 74 basis points for a 7 year A rated bond.

Equity and Property

Three asset classes are modelled as equity-type processes: UK equity index, Euro equity index and UK property index.

The Economic Scenario Generator (ESG) asset modelling remains in line with the latest Industry practice for UK equity, employing the SVJD equity model.

Each equity model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston’s stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments such as “Quant” and “Fundamental” are treated as UK equities.

The implied volatility surface used in the calibration is shown below:

	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1	24.7	22.5	19.6	16.1	12.3	8.7	-
	3	22.0	20.6	19.0	17.4	15.8	13.8	11.2
	5	22.1	20.9	19.6	18.3	16.9	15.6	14.3
	7	22.1	21.2	20.2	19.3	18.4	17.6	16.9
	9	22.0	21.1	20.3	19.6	18.9	18.3	17.6

All other equity type asset classes are modelled using constant volatility. These parameters are shown below:

OS equity volatility	26.05%
Property volatility	30.00%
Quant fund volatility	4.80%
Fundamental volatility	7.20%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The correlations assumed are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Fundamental
UK equities	1.00	0.75	0.25	-0.15	0.39	0.40
OS equities		1.00	0.05	0.10	0.35	0.44
Property			1.00	0.00	0.16	0.35
Interest rates				1.00	-0.32	-0.42
Quant					1.00	0.56
Fundamental						1.00

The volatility and correlation assumptions for standard asset classes are derived from best estimate assumptions. The correlation assumptions for the two hedge fund asset classes, Quant and Fundamental, are those recommended by Ignis.

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

K Duration (n)	0.75				1				1.5			
	5	15	25	35	5	15	25	35	5	15	25	35
Annualised compound equivalent of the risk free rate assumed for the period (r)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
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)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
	Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years			

— Notes:

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.

The option values in respect of property are calculated in the table above using the standard volatility calibration of 15% rather than the 30% assumed for the calculation of the realistic liabilities.

(iv) Income yields for each asset class are shown in the following table.

Dividend Yields by Asset Class	
Asset Class	Dividend Yield
UK Equity	2.93%
Property	2.29%
OS Equity	1.91%
Quant	0.00%
Fundamental	0.00%

(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).

(vi) The fit of the asset model to specimen swaptions is demonstrated below.

Ratio of simulated to market swaption volatilities					
		Swap Length			
		5	10	20	30
Option Maturity	5	102.20%			
	10		97.37%	94.40%	
	15				
	20		97.50%	100.72%	

This table demonstrates that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

(vii) We carry out comprehensive tests on the output produced by the Deloitte's XSG asset model as follows:

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

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

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

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

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions

(viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the guarantee costs converge well within 1000 scenarios. The difference in the average cost of guarantees between 950 and 1000 scenarios is £0.5m.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) In line with the previous valuation date reversionary bonus rates are being modelled, dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.

At the previous valuation the following additional management actions applied in calculating the cost of guarantees and options, none of which apply at the current valuation date due to the harmonisation of modelling approach across all WP funds in Phoenix.

- Guarantee pool profits/losses are credited/charged to relevant asset shares
 - Smoothing profits/losses are credited / charged to relevant asset shares.
 - The amount of estate available for distribution is included in the claims paid.
 - If assets deemed alternative investments earn less than the risk free rate for two consecutive years, then the company sells these assets and reverts to conventional assets.
- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates on accumulating with profits business.

Projected Equity Proportions – Scenarios (i), (ii) and (iii)		
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At current valuation date	39.6%	39.6%
(i) Risk free interest rate curve - End 5 years	38.0%	38.0%
(i) Risk free interest rate curve - End 10 years	32.6%	32.6%
(ii) Risk free interest rate curve + 17.5% - At current valuation date	39.6%	39.6%
(ii) Risk free interest rate curve + 17.5% - End 5 years	38.0%	38.0%
(ii) Risk free interest rate curve + 17.5% - End 10 years	32.6%	32.6%
(iii) Risk free interest rate curve – 17.5% - At current valuation date	39.6%	39.6%
(iii) Risk free interest rate curve – 17.5% - End 5 years	38.0%	38.0%
(iii) Risk free interest rate curve – 17.5% - End 10 years	32.6%	32.6%

PEARL WITH-PROFITS FUND

Reversionary bonus rates on accumulating with profits			Current Valuation Date	Current Valuation Date Plus 5 Years	Current Valuation Date Plus 10 Years	
Type of business			p.a.	p.a.	p.a.	
Direct Unitised Accumulating With-profits business other than Personal Pensions	Life	(i)	0.75% / 0.42%	Varies Dynamically	Varies Dynamically	
	Pensions		1.75% / 0.85%	Varies Dynamically	Varies Dynamically	
	Bonus Account		0.40% / 0.20%	Varies Dynamically	Varies Dynamically	
	ISA		0.50% / 0.25%	Varies Dynamically	Varies Dynamically	
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions		0.0%	Varies Dynamically	Varies Dynamically	
Reassurance Accepted Unitised Accumulating with-profits business	Life		1.0%	Varies Dynamically	Varies Dynamically	
	Pensions		2.0%	Varies Dynamically	Varies Dynamically	
	Capital Account		7.3%	Varies Dynamically	Varies Dynamically	
Direct Unitised Accumulating With-profits business other than Personal Pensions	Life		(ii)	0.75% / 0.42%	Varies Dynamically	Varies Dynamically
	Pensions			1.75% / 0.85%	Varies Dynamically	Varies Dynamically
	Bonus Account			0.40% / 0.20%	Varies Dynamically	Varies Dynamically
	ISA			0.50% / 0.25%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0.0%		Varies Dynamically	Varies Dynamically	
Reassurance Accepted Unitised Accumulating with-profits business	Life	1.0%		Varies Dynamically	Varies Dynamically	
	Pensions	2.0%		Varies Dynamically	Varies Dynamically	
	Capital Account	7.3%		Varies Dynamically	Varies Dynamically	
Direct Unitised Accumulating With-profits business other than Personal Pensions	Life	(iii)		0.75% / 0.42%	Varies Dynamically	Varies Dynamically
	Pensions			1.75% / 0.85%	Varies Dynamically	Varies Dynamically
	Bonus Account			0.40% / 0.20%	Varies Dynamically	Varies Dynamically
	ISA			0.50% / 0.25%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions		0.0%	Varies Dynamically	Varies Dynamically	
Reassurance Accepted Unitised Accumulating with-profits business	Life		1.0%	Varies Dynamically	Varies Dynamically	
	Pensions		2.0%	Varies Dynamically	Varies Dynamically	
	Capital Account		7.3%	Varies Dynamically	Varies Dynamically	

(6) Persistency Assumptions

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				
	Type	1 to 5	6 to 10	11 to 15	16 to 20
Conventional whole life withprofits OB	Surrender	2.00%	2.00%	2.00%	2.00%
Conventional endowment withprofits OB savings	Surrender	2.00%	2.00%	2.00%	2.00%
Conventional endowment withprofits OB target cash	Surrender	2.00%	2.00%	2.00%	2.00%
Conventional deferred annuity withprofits	Surrender	0.50%	0.50%	0.50%	0.50%
Miscellaneous conventional withprofits	Surrender	2.00%	2.00%	2.00%	2.00%
Life UWP single premium (note 2)	Surrender	5.00%	5.00%	5.00%	5.00%
Life UWP whole life regular premium	Surrender	10.00%	10.00%	10.00%	10.00%
Life UWP whole life regular premium (ISA)	Surrender	10.00%	10.00%	10.00%	10.00%
Life UWP endowment regular premium – target cash	Surrender	5.00%	5.00%	5.00%	5.00%
Individual pensions UWP	Surrender	2.50%	2.50%	2.50%	2.50%
Miscellaneous UWP	Surrender	5.00%	5.00%	5.00%	5.00%
Individual pensions property linked	Surrender	2.50%	2.50%	2.50%	2.50%
Miscellaneous property linked	Surrender	0.00%	0.00%	0.00%	0.00%
Conventional pensions endowment withprofits	Surrender	0.50%	0.50%	0.50%	0.50%
Conventional whole life withprofits IB	Surrender	0.00%	0.00%	0.00%	0.00%
Conventional endowment withprofits IB	Surrender	0.00%	0.00%	0.00%	0.00%
Additional reserves withprofits OB	Surrender	2.00%	2.00%	2.00%	2.00%
Additional reserves withprofits IB	Surrender	0.00%	0.00%	0.00%	0.00%
Regular premium nonprofit WL/EA OB (regular)	Surrender	0.65%	0.65%	0.65%	0.65%
Regular premium nonprofit WL/EA OB (single) (note 1)	Surrender	0.50%	0.50%	0.50%	0.50%
Nonprofit IB	Surrender	0.00%	0.00%	0.00%	0.00%
Level term assurance	Surrender	0.00%	0.00%	0.00%	0.00%
Deferred annuity nonprofit	Surrender	0.50%	0.50%	0.50%	0.50%
Annuity nonprofit (PLA)	Surrender	0.00%	0.00%	0.00%	0.00%
Annuity nonprofit (CPA)	Surrender	0.00%	0.00%	0.00%	0.00%

- (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.

The annuitant mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
	Projection Basis	
	Male	Female
Annuity Rate Guarantee – post vesting ⁽¹⁾	115% RMV00	112.5% RFV00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

Take Up Rates	
GAO Settings	Deferred Annuities - All
GAO Upper bound	68%
GAO Lower bound	60%

(7) Policyholders' Actions

Take-up rates of Guaranteed Annuity Options are now dynamic, dependent on the moneyness of the option which is measured as the ratio of the market annuity factors to the guaranteed annuity factors. When out of the money there is a fixed assumption for the take-up rate which varies by product. When in the money the take up rate is subject to a lower and upper bound with a separate assumption controlling the speed at which the rate varies linearly between these bounds.

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2014	
	£m
Pensions misselling	240.4
Value of future shareholder transfers	17.0
Value of tax on future shareholder transfers	26.3
Additional liability for expenses	10.8
Provisions	17.6
Other additional liabilities	45.3
Total	357.4
Form 19 Line 47	357.4

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 £1,049m and the following table gives a breakdown.

Current liabilities at 31 December 2014 (£m)	
Liability	Value
Outstanding claims	20.5
Other provisions	2.5
Creditors	1,019.8
Accruals and deferred income	5.8
Direct Insurance Business	0.0
Deferred tax liability	0.2
Total Realistic Current liabilities	1,048.7
Provision for "reasonably foreseeable adverse variations"	27.9
Total Regulatory Current Liabilities	1,076.6

10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2014 is nil.

The most onerous scenario is that which combines:

- (i) The market risk scenario assumes that equities fall by 20% and property falls by 25% (which includes the impact of gearing). The equity fall and the property fall were the more onerous scenarios.
 - (ii) The nominal change in yields for Sterling denominated fixed interest securities for the purpose of the market risk scenario is 0.38%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.19%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the most onerous scenario.
 - (iii) The average change in spreads for non-credit exempt bonds was +83 basis points when weighted by value, resulting in 5.9% fall in bond asset value.
 - (iv) The persistency risk scenario was a decrease in surrender and paid-up rates of 32.50% resulting in a 0.60% increase in the realistic value of liabilities.
 - (v) Not applicable.
- (b) (i) An additional charge of 0.5% of asset shares was assumed for the purpose 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

Broad type of derivative	Description	Details	Market value (£'000)	Nominal value (£'000)
Swap	Interest Rate Swap	Long	504,147	1,442,944
Swap	Interest Rate Swap	Short	(623,518)	2,580,335
Swap	Inflation Rate Swap	Long	26,672	200,845
Swap	Inflation Rate Swap	Short	(33,128)	281,914
Future	Interest Rate Futures	Long	(671)	28,100
Future	Interest Rate Futures	Short	946	35,800
Future	Equity index Futures	Short	1,131	6
Currency Forwards	Currency Forwards	Long	404	66,349
Currency Forwards	Currency Forwards	Short	(4,684)	817,010
Total Return Swap	Total Return Swap	Long	74,072	803,841
Swaption	Interest Rate Swaption	Payer	117,107	763,074

13. Analysis of Working Capital

	£m
Opening Working Capital	1,028
Opening Adjustments	0
Restated opening working capital	1,028
Impact of new business	0
Expected return on opening surplus	5
Assumption changes	
- Non-economic	(5)
- Economic	
- Policyholder actions	85
Model and methodology changes	(24)
Other Variances	
- Economic	112
- Non-economic	
- Management actions	(69)
- New provisions	(13)
- Unexplained	(1)
Closing working capital before zeroisation	1,118
Planned benefit enhancements to distribute estate	(1,327)
Impact of planned enhancement on future policy related liabilities	208
Working capital at 31 December 2014	0

14. Optional Disclosure

Not applicable.

APPENDIX 9.4A

SERP WITH-PROFITS FUND

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

There are no non-profit insurance contracts within the SERP With-Profits Fund. Not applicable.

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

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) Calculation Of With-Profits Benefits Reserve

A retrospective method has been used to calculate the with-profit benefits reserves for contracts within the SERP With-Profits Fund. This method is the calculation of an asset share.

The following table shows the amount of the with-profit benefits reserve and the future policy related liabilities:

Product class	With-profit benefits reserve, £m	Future policy related liabilities, £m
Conventional with-profit pensions	471	819

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) The with-profits benefits reserve for all business has been calculated on an individual basis using a retrospective method
- (b) Not applicable.
- (c) Not applicable.

(2) Significant Changes To Valuation Method

- (a) Not applicable.
- (b) Not applicable.

(3) Expense Allocation

The Scheme of Transfer effective 4 January 2010 specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy, with the number of policies determined annually on the 1 July each year. Investment management expenses are expressed as a percentage of funds under management. No other expenses or charges shall be allocated to this fund.

- (a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2014.
- (b) The calculation of the administration expenses chargeable to the fund is performed annually.
- (c) (i) No expenses were identified as initial expenses.

(ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2014:

Product Class	Maintenance expenses, £m	Investment management expenses, £m
Conventional with-profit pensions	1.94	1.57

The maintenance expenses above are in line with the Schedule 2C Scheme.

(iii) The expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves. The maintenance expenses vary by product line, as set out in the Scheme of Transfer.

- (iv) Not applicable.

(4) Significant Charges

Smoothing charges of £0.3m were deducted from the with-profit benefits reserves during the financial year.

(5) Charges For Non-Insurance Risk

No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.

(6) Ratio Of Claims To Reserve

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below:

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2014	220%
2013	219%
2012	215%

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profit benefits reserve in respect of the financial year was 8.60%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Not applicable.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic model approach.

(b) (i) No projections are carried out on individual policy data.

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

(iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 35,234 individual policies and members of group schemes, which have been grouped together into 483 model points.

(c) Not applicable.

(3) Significant Changes

No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

(4) Further Information on Stochastic Approach

(a) (i) The main contractual guarantee costs valued are:

Deferred annuity benefits, where the contract is written as a basic deferred annuity plus attaching reversionary bonus at vesting. These guarantees are largely in the money.

The costs of financial options relate to:

The value of the guaranteed cash factors, where the contracts are written with a guaranteed rate of conversion from annuity to cash. These conversion options are significantly out of the money.

The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.

(ii) There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation. This model assumes that:

The interest rate calibration process is as follows:

- A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption implied volatilities.
- Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

Interest rates

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.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte's.

The market swaption volatilities were supplied by Deloitte's.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

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

The following table show the credit spreads over gilts + 10bp at 31 December 2014 in basis points:

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	-	50	85	139
4	-	64	100	177
7	66	87	108	213
9	57	88	137	201
12	-	90	157	200
15	54	105	151	202

Note that for some AAA rated bonds the initial spread information is not available

The long term volatility target at the current valuation date is 74 basis points for a 7 year A rated bond.

The correlation assumptions used are listed in the table below. These assumptions are derived from Deloitte XSG best estimate assumptions.

Correlation factors between asset classes				
	Equity	Property	Government bonds	Nominal short-rate
Equities	100%	25%	-15%	-15%
Property		100%	0%	15%

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

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
Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
Risk-free zero coupon bond	£936,767	£703,202	£507,216	£392,624	x	x	x	x	x	x	x	x
FTSE All Share Index (p=1)	£66,851	£173,222	£278,651	£367,516	£158,615	£304,723	£445,566	£552,770	£501,625	£662,576	£829,091	£957,551
FTSE All Share Index (p=0.8)	£64,167	£150,782	£222,999	£280,079	£152,768	£265,484	£358,744	£425,582	£484,391	£582,312	£678,309	£747,988
Property (p=1)	£34,903	£128,601	£217,312	£298,513	£139,996	£264,683	£376,801	£476,943	£522,814	£637,315	£756,060	£879,233
Property (p=0.8)	£32,377	£106,369	£165,464	£216,651	£132,862	£223,281	£293,419	£354,265	£505,260	£555,415	£605,641	£669,773
15 year risk free zero coupon bonds (p=1)	£11,749	£26,183	£18,337	£27,587	£86,330	£111,316	£102,506	£132,054	£498,398	£513,276	£508,616	£524,430
15 year risk free zero coupon bonds (p=0.8)	£10,719	£18,487	£7,880	£7,392	£79,943	£79,602	£48,922	£52,390	£479,531	£416,904	£334,178	£304,369
15 year corporate bonds (p=1)	£14,561	£35,790	£28,941	£45,944	£91,823	£127,622	£121,612	£154,697	£499,735	£515,567	£514,985	£536,320
15 year corporate bonds (p=0.8)	£13,341	£25,657	£14,393	£18,988	£85,361	£95,627	£64,764	£73,168	£480,987	£421,848	£345,705	£324,065
Portfolio of 65% FTSE All Share and 35% property (p=1)	£30,889	£111,762	£208,577	£296,508	£114,564	£237,746	£363,842	£474,432	£495,843	£601,946	£748,571	£876,842
Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£29,001	£91,995	£157,826	£215,655	£108,434	£198,677	£282,279	£352,026	£477,317	£519,753	£595,091	£666,522
Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£25,047	£77,091	£133,871	£194,798	£103,677	£199,088	£292,737	£372,771	£491,714	£574,269	£688,684	£783,300
Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£23,358	£59,130	£85,668	£118,294	£97,710	£161,075	£207,860	£249,396	£472,690	£489,143	£530,656	£568,563
Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£8,107	£31,376	£70,750	£127,412	£72,830	£137,187	£213,068	£291,233	£492,347	£531,347	£616,076	£697,632
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)	£7,251	£19,710	£36,137	£66,729	£66,796	£100,434	£133,837	£175,702	£473,058	£440,025	£453,569	£483,060
Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
	Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years			

— Notes:

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.

(iv) The initial property rental yield for the UK is 2.29%.

Asset Class	Income yield
Property	2.29%

(v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.

(vi) The fit of the asset model to specimen swaptions and put options as at 31 December 2014 is demonstrated below:

Ratio of simulated to market swaption volatilities					
		Swap Length			
		5	10	20	30
Option Maturity	5	102.20%			
	10		97.37%	94.40%	
	15				
	20		97.50%	100.72%	

This table demonstrates that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

(vii) We carry out comprehensive tests on the output produced by the Deloitte’s XSG asset model as follows:

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

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

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

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

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions.

(viii) The assets and liabilities have been computed using 1000 (500 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the guarantee costs converge well within 1000 scenarios. The difference in the average cost of guarantees between 950 and 1000 scenarios is £0.3m.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

- (a) No management action assumptions have been applied.
- (b) Not applicable.

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product	Type	Average lapse
Conventional deferred annuity withprofits	Surrender	0.50%

Investigations carried out at previous valuations, have indicated that a significant number of SERP policies are taking the guaranteed benefits at earlier ages than 65 and in particular a large number of policyholders are taking these benefits around age 59, when the guarantees first become available.

Some separate realistic and regulatory valuation sensitivity runs were performed at previous valuations which indicated that assuming earlier retirement is prudent. Hence, the legacy assumptions have been retained. The early retirement rates assumed are:

Age	Realistic Best Estimate
60	50%
65	80%
70	100%

The annuitant mortality assumptions are 102.5% of RMV00 for male lives and 102.5% of RFV00 for female lives.

Future mortality improvements are based on the CMI 2012 tables with a long term annual improvement assumption of 2% up to age 75 reducing linearly to 0% at age 110.

(7) Policyholders' Actions

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

The Court Scheme covering the Part VII transfer of SERP policies from National Provident Life Limited into the SERP With Profit Fund of Phoenix Life Assurance Limited specifies that capital support is to be provided.

Capital support is advanced from Phoenix Life Assurance Limited Shareholder Fund. The level of capital support advanced aims to give a £5m excess (assets minus liabilities, excluding capital requirements) on the lower of the regulatory or realistic peak. No interest is payable on the capital support advanced.

Regular investigations (at least twice a year) are carried out and the level of capital support is either increased or reduced to maintain the £5m excess on the 'biting' peak. Any excess (assets minus liabilities, excluding capital requirements) on the realistic peak is shown as financing costs in Form 19. This is change to the previous presentation of Form 19 where this excess was shown within Other Long-Term insurance liabilities.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2014	
	£m
Provisions	0.8
Total	0.8
Form 19 Line 47	0.8

No provisions have been included in respect of any other liabilities related to regulatory duty to treat customers fairly.

9. Realistic Current Liabilities

The regulatory current liabilities comprise of the other current liabilities as reported within Form 14 lines 17 to 41.

The realistic current liabilities, of £121.9m, shown at line 51 of Form 19 are the same as the regulatory current liabilities.

10. Risk Capital Margin

- (a) There is no risk capital margin held for the SERP With-Profits Fund at 31 December 2014. The shareholder value of £88.9m is now represented as a liability and is sufficient to cover the risk capital margin stresses. Under the risk capital margin stresses the shareholder value is impaired by £27.5m leaving £61.4m of shareholder value.

The most onerous scenario for the SERP With-Profits Fund is that which combines:

- (i) The percentage change in the market value of equities and real estate for the purposes of the market value risk scenario of UK assets were 20% and 12.5% respectively.

There was no exposure to equities or real estate for the purposes of INSPRU 1.3.68R.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.38%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.19%. A rise in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the assets was +25 basis points.

- (a) The change in value of the bond assets was a 0.64% decrease in asset value.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.
- (e) There was no change in value for other assets

- (iv) The persistency risk scenario was a decrease in surrender and paid-up rates of 32.50% resulting in an increase in realistic liabilities of 0.20%.

(v) Not applicable.

(b)

(i) No management actions 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

No tax is assumed on pensions business.

12. Derivatives

Broad type of derivative	Description	Details	Market value (£'000)	Nominal value (£'000)
Swap	Interest Rate Swap	long	77,002	952,715
Swap	Interest Rate Swap	Short	(184,734)	940,275
Swap	Inflation Rate Swap	Short	1	3,257
Future	Interest Rate Futures	Long	(62)	2,200
Future	Interest Rate Futures	Short	0	100
Currency Forwards	Currency Forwards	Short	31	1,682
Total Return Swap	Total Return Swap	Long	10,960	139,616
Swaption	Interest Rate Swaption	Payer	100,194	210,200

13. Analysis of Working Capital

	£m
Opening Working Capital	92
Opening Adjustments	0
Restated opening working capital	92
Impact of new business	0
Expected return on opening surplus	0
Assumption changes	
- Non-economic	0
- Economic	
- Policyholder actions	(2)
Model and methodology changes	2
Other Variances	
- Economic	20
- Non-economic	
- Management actions	
- New provisions	(4)
- Capital movements	(19)
- Unexplained	(1)
Working capital at 31 December 2014	89

14. Optional Disclosure

Not applicable.

APPENDIX 9.4A

London Life With-Profits Fund

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

Not applicable

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

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

There have been no changes to methods or assumptions since the previous valuation except where previously regulatory reserves were used for some paid-up business, a retrospective method is now used.

(1) Calculation Of With-Profits Benefits Reserve

The table below shows the methods used to calculate the with-profits benefits reserve.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	7.1	2.5
Fund P	Prospective	50.0	17.9
CWP Life (other)	Retrospective	129.6	46.4
Life Total		186.7	66.8
UWP Pensions	Retrospective	9.9	3.5
Fund W	Prospective	65.4	23.4
CWP Pensions (other)	Retrospective	232.0	83.0
Pensions Total		307.4	110.0
Total		494.1	176.8
Form 19 Line 31		494.1	-
Form 19 Line 49		-	176.8

Fund P business and immediate annuities in Fund W are modelled on a prospective basis when calculating the with-profits benefits reserve.

(2) Correspondence with Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) The with-profits benefits reserve for all business has been calculated on an individual basis using a retrospective method.
- (b) Not applicable.

(2) Significant Changes To Valuation Method

- (a) The new methodology uses a retrospective approach for all business except for policies within fund P and immediate annuities within fund W. In the case of policies which were previously valued using a prospective approach, the base point for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) The block of liabilities in respect of reduction of premium business (Fund P) was modelled previously using a mixture of retrospective and prospective methods; at the current valuation date, the reserves on this business have been calculated on a prospective basis.

(3) Expense Allocation

The Scheme of Transfer (“the Scheme”), effected in 2012 transferring the business of London Life Limited to Phoenix Life Assurance Limited specifies the calculation basis for determining the aggregate expenses to be charged to the London Life With-Profit Fund in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the Fund if deemed appropriate by the Phoenix Life Assurance Limited London Life With-Profits Actuary. The aggregate expenses charged to the Fund are allocated to the with-profits benefit reserve on a basis deemed appropriate by the Phoenix Life Assurance Limited London Life With-Profits Actuary.

- (a) The calculation of the administration expenses chargeable to the fund was last performed in December 2014.
- (b) The calculation of the expenses chargeable to the fund is performed annually.
- (c) (i) and (ii) See Table below.

Expenses Allocated to With-Profits Benefits Reserve during 2014	
Expense Type	Amount £m
Initial expenses	0.0
Maintenance expenses ¹	2.3
Investment expenses	0.4
Total Expense	2.7

¹ Includes project expenses of £0.1m.

- (iii) 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.

- (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) are valued at £0.3m.

(4) Significant Charges

No charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital. The only material charge made to the with-profits benefit reserves is in respect of life cover benefits on life endowments and whole of life contracts.

(5) Charges For Non-Insurance Risk

No non-insurance risk charges are made to conventional with-profits business. For unitised with-profits business, risk cover is charged through cancellation of units.

(6) Ratio Of Claims To Reserves

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below.

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2014	126%
2013	102%
2012	112%

(7) Allocated Return

The unitised with-profits benefits reserve is invested in a different asset mix to the conventional with profit business. This asset mix has a significantly higher equity backing ratio than that backing the conventional with profits business.

The average rates of return attributed to the with-profit benefits reserve of a policy depends on the asset mix for it. Investment returns for Pensions products are gross of tax and those for Life products are net of tax.

Investment returns since the previous valuation are shown below.

Type of business	Investment
Life (AMP)	6.2%
Life (Fund R, Fund T)	6.4%
Pensions (AMP)	9.3%

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Fund P business is modelled on a prospective basis. The below shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method. For simplicity the model uses a single discount rate which is calculated by taking an appropriate point on the risk free curve.

Assumption	Value
Discount rate	2.16%
Expense Inflation	3.10%

The with-profits benefits reserve for Fund W immediate annuities is modelled using a prospective approach; the economic basis used is a term-dependant gilts curve with an addition of 10 basis points, as follows:

Term (years)	Risk Free Rate	
	Current Valuation	Previous Valuation
1	0.43%	0.51%
2	0.68%	0.90%
3	0.92%	1.31%
4	1.13%	1.72%
5	1.31%	2.08%
6	1.48%	2.41%
7	1.62%	2.69%
8	1.75%	2.94%
9	1.87%	3.14%
10	1.97%	3.32%
12	2.16%	3.57%
15	2.38%	3.79%
20	2.62%	3.92%
25	2.75%	3.93%

Expense inflation is set to RPI inflation plus 1%.

(2) Different Sets of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Method for Guarantees, Options and Smoothing

a) All guarantees are valued on a stochastic basis.

(b) (i) No projections are carried out on individual policy data.

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

(iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 31,461 individual policies and members of group schemes, which have been grouped together into 1,015 model points.

(c) Not applicable.

(3) Significant Changes

Cost of guarantees and options

At the valuation date all guarantees and options are valued using a stochastic approach. At the previous valuation date a relatively small volume of the total guarantees and options were valued using a deterministic approach and their value was included within with-profits benefits reserves.

Cost of smoothing

At the previous valuation date, projected smoothing costs were determined stochastically by considering the difference between annual returns and the maximum permitted annual change in bonus rates. At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund.

Joint Life Guaranteed Annuity Options

At the previous valuation date, guaranteed annuity options were valued on a joint life basis. At the current valuation date, guaranteed annuity options have been valued on a single life basis.

(4) Further Information On Stochastic Approach

(a) (i) The main guarantee types valued are:

- Lump sum basic benefit, e.g. the sums assured and attaching reversionary bonuses payable at maturity on an endowment or “funded to cash” deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
- Annuity benefit, i.e. a basic annuity amount plus attaching reversionary bonuses vesting at a specified date. Some of these guarantees are in-the-money and others are out-of-the money.
- Guaranteed annuity option rate, i.e. a guaranteed annuity rate specified in a contract that can be applied at maturity to convert the cash benefits provided by the contract into annuity benefits. Generally these guaranteed annuity rates are in-the-money.

The costs of smoothing form the balance of total optionality costs, i.e. the excess of claim values over guaranteed benefits plus option costs.

(ii) There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation. This model assumes that:

- A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption implied volatilities.
- Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.
- All equity processes are modelled using a Stochastic Volatility Jump Diffusion (SVJD) model.

Interest rates

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.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte’s.

The market swaption volatilities were supplied by Deloitte’s.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data obtained from Thomson Reuters and Merrill Lynch.

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

The table below shows the credit spreads over gilts + 10bp at 31 December 2014 in basis points.

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	-	50	85	139
4	-	64	100	177
7	66	87	108	213
9	57	88	137	201
12	-	90	157	200
15	54	105	151	202

Note that for some AAA rated bonds the initial spread information is not available

The long term volatility target at the current valuation date is 74 basis points for a 7 year A rated bond.

Equity and Property

Three asset classes are modelled as equity-type processes: UK equity index, Euro equity index and UK property index.

The Economic Scenario Generator (ESG) asset modelling remains in line with the latest Industry practice for UK equity, employing the SVJD equity model.

Each equity model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston’s stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments such as “Quant” and “Fundamental” are treated as UK equities.

The implied volatility surface used in the calibration is shown below in table 6.3:

	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1	24.7	22.5	19.6	16.1	12.3	8.7	-
	3	22.0	20.6	19.0	17.4	15.8	13.8	11.2
	5	22.1	20.9	19.6	18.3	16.9	15.6	14.3
	7	22.1	21.2	20.2	19.3	18.4	17.6	16.9
	9	22.0	21.1	20.3	19.6	18.9	18.3	17.6

Property follows a constant volatility model, parameter 15%.

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields. The table below shows the correlation assumptions.

Correlation factors between asset classes			
	Long Dated Bonds	Equity Index	Property Index
Long Dated Bonds	100%	-15%	0%
Equity Index	-15%	1%	25%
Property Index	0%	25%	1%

The volatility and correlation assumptions are derived from best estimate assumptions.

LONDON LIFE WITH-PROFITS FUND

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

K	0.75				1				1.5			
	5	15	25	35	5	15	25	35	5	15	25	35
Duration (n)												
Annualised compound equivalent of the risk free rate assumed for the period (r)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
Risk-Free Zero Coupon Bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
15yr Risk-Free ZCBs (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
15yr Risk-Free ZCBs (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
15yr Corporate Bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
15yr Corporate Bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
Portfolio 1 (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
Portfolio 1 (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
Portfolio 2 (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
Portfolio 2 (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
Portfolio 3 (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
Portfolio 3 (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
Sterling Receiver Swaptions	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
	Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years			

Notes:

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.

- (iv) The equity dividend yield and property rental yield parameters are modelled deterministically, with parameters as in table 6.6.

Income yield	
Asset Class	Income yield
Equity	2.93%
Property	2.29%

- (v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.

- (vi) The fit of the asset model to specimen swaptions is demonstrated below:

Ratio of simulated to market swaption volatilities					
		Swap length			
		5	10	20	30
Option maturity	5	102.20%			
	10		97.37%	94.40%	
	15				
	20		97.50%	100.72%	

The table demonstrated that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

- (vii) We carry out comprehensive tests on the output produced by the Deloitte's asset model as follows:

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

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

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

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

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions

- (viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the guarantee costs converge well within 1000 scenarios. The difference in the average cost of guarantees between 950 and 1000 scenarios is £0.1m.

LONDON LIFE WITH-PROFITS FUND

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.
- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates on accumulating with profits business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
CWP Life (AMP/ R & T)	i	0% / 30%	0% / 30%	0% / 30%
CWP Pension	i	0%	0%	0%
UWP Life	i	42%	42%	42%
UWP Pension	i	42%	42%	42%
All	ii	Unchanged	Unchanged	Unchanged
All	iii	Unchanged	Unchanged	Unchanged

Reversionary bonus rates on accumulating with profits		Current Valuation Date p.a.	Current Valuation Date Plus 5 Years p.a.	Current Valuation Date Plus 10 Years p.a.
UWP Life	(i)	2.0%	Varies Dynamically	Varies Dynamically
UWP Pensions		2.5%	Varies Dynamically	Varies Dynamically
UWP Life	(ii)	2.0%	Varies Dynamically	Varies Dynamically
UWP Pensions		2.5%	Varies Dynamically	Varies Dynamically
UWP Life	(iii)	2.0%	Varies Dynamically	Varies Dynamically
UWP Pensions		2.5%	Varies Dynamically	Varies Dynamically

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the below table (i.e. the assumptions are consistent with those made for the with-profits benefits reserve prospective method). The assumptions are the same for both paid-up and premium-paying policies, and do not vary across policy durations.

Average lapse rate for the policy years	Type	1- 5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender	1.8%	1.8%	1.8%	1.8%
Conventional endowment withprofits OB savings	Surrender	3.0%	3.0%	3.0%	3.0%
Conventional pensions endowment withprofits	Surrender	2.2%	2.2%	2.2%	2.2%
Conventional deferred annuity withprofits	Surrender	1.8%	1.8%	1.8%	1.8%
Group conventional deferred annuity withprofits	Surrender	0.0%	0.0%	0.0%	0.0%
Group conventional pensions endowment withprofits	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity withprofits (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%
Miscellaneous conventional withprofits	Surrender	2.0%	2.0%	2.0%	2.0%
Annuity nonprofit (CPA)	Surrender	2.0%	2.0%	2.0%	2.0%
Life UWP whole life regular premium	Surrender	2.4%	2.4%	2.4%	2.4%
Individual pensions UWP	Surrender	3.4%	3.4%	3.4%	3.4%

LONDON LIFE WITH-PROFITS FUND

The annuitant mortality and take-up rate assumptions are shown in the below tables respectively.

Annuitant Mortality Assumptions		
	Males	Females
Annuitant mortality	92.5% PCMA00 CMI_2012_M at C=2032 [2% to age 75, reducing linearly to 0% from age 110]	90% PCFA00 CMI_2012_F at C=2036 [2% to age 75, reducing linearly to 0% from age 110]

Take Up Rates		
GAO Settings	Other Pensions	Policies within 'POLMIG' group scheme
Assumed GAO take up rate	60%	20%

(7) Policyholders' Actions

There are no dynamic policyholder actions modelled in London Life With-Profits Fund.

7. Financing Costs

The Court Scheme covering the Part VII transfer of London Life Limited With Profits business into Phoenix Life Assurance Limited specifies that capital support is to be provided.

Capital support is initially advanced from Phoenix Life Assurance Limited Non Profit Fund, and once that Funds capacity to provide capital has been exhausted, from Phoenix Life Assurance Limited Shareholder Fund. The level of capital support advanced aims to give a £5m excess (assets minus liabilities, excluding capital requirements) on the lower of the regulatory or realistic peak. No interest is payable on the capital support advanced.

Regular investigations (at least twice a year) are carried out and the level of capital support is either increased or reduced to maintain the £5m excess on the 'biting' peak. Any excess (assets minus liabilities, excluding capital requirements) on the realistic peak is shown as financing costs in Form 19.

8. Other Long-Term Insurance Liabilities

(d) A breakdown of the other long-term insurance liabilities before the allocation of working capital as shown in Line 47 of Form 19, is set out below.

Other Long-Term Insurance Liabilities at 31 December 2014	
	£m
Provisions	2.0
Total	2.0
Form 19 Line 47	2.0

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 at 31 December 2014 stood at £73.1m, which is the same as the regulatory current liabilities at the same date, since there is no additional provision for adverse deviations in the regulatory liabilities for the valuation at 31 December 2014.

Current liabilities at 31 December 2014 (£m)	
Liability	Value
Outstanding claims	6.8
Other provisions	0.0
Creditors	66.0
Accruals and deferred income	0.3
Direct Insurance Business	0.0
Deferred tax liability	0.0
Debenture loans - unsecured	0.0
Amounts owed to credit institutions	0.0
(e) Total Realistic Current liabilities	73.1

10. Risk Capital Margin

- (a) The risk capital margin for London Life at 31 December 2014 is zero.

The most onerous scenario for London Life (i.e. the one which reduces the financing costs the most) is that which combines:

- (i) The market risk scenario assumes that equities fall by 20% and property falls by 12.5%. The equity fall and the property fall were the more onerous scenarios.
- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.38%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.19%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the most onerous scenario.
- (iii) (a) The average change in spreads for bonds was +34 basis points when weighted by value, resulting in a 4.11% fall in corporate bond asset values.
- (b) Not applicable.
- (c) Not material. Our interpretation of INSPRU is that intra-group reinsurance is not subject to the reinsurance credit risk event. London Life has a small amount of traditional reinsurance. The effect of allowing for the reinsurance credit risk event in respect of this is very small and so on materiality grounds this has not been included in the value of the liabilities shown in Form 19.
- (d) Not applicable.
- (e) Derivatives exposed to swap spread risk rather than credit spread risk are no longer re-valued as part of a credit stress.
- (iv) The persistency risk scenario was a decrease in surrender and paid-up rates of 32.50% resulting in a 0.13% increase in the realistic value of liabilities.
- (v) Not applicable.
- (b) No particular management actions were assumed for the purposes of calculating the risk capital margin.
- (c) (i) No additional assets are required to cover the risk capital margin.

LONDON LIFE WITH-PROFITS FUND

- (ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the non-profit and Shareholder Funds.

11. Tax

(f) 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 assumed are 20% on savings income and indexed capital gains and nil on franked income received net of the non-recoverable tax credit. Tax relief on expenses are 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 below table describes the significant movements in the working capital of the with profits fund from the preceding financial year.

Broad type of derivative	Description	Details	Market value (£'000)	Nominal value (£'000)
Swap	Interest Rate Swap	long	26,685	591,115
Swap	Interest Rate Swap	Short	(48,061)	461,620
Swap	Inflation Rate Swap	Short	104	9,522
Future	Equity index Futures	Long	(73)	216
Currency Forwards	Currency Forwards	Long	1	80
Currency Forwards	Currency Forwards	Short	(32)	3,901
Total Return Swap	Total Return Swap	Long	4,307	35,096
Swaption	Interest Rate Swaption	Payer	484	134,440

13. Analysis of Working Capital

	£m
Opening Working Capital	50
Opening Adjustments	0
Restated opening working capital	50
Impact of new business	0
Expected return on opening surplus	0
Assumption changes	
- Non-economic	1
- Economic	
- Policyholder actions	12
Model and methodology changes	(23)
Other Variances	
- Economic	3
- Non-economic	
- Management actions	
- New provisions	0
- Capital movements	(12)
- Unexplained	(1)
Working capital at 31 December 2014	30

14. Optional disclosure

Not applicable.

Returns under the Accounts and Statements Rules

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

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2014

Throughout the year, the actuary who was appointed to perform the with-profits actuary function was K J Arnott.

1.
 - a) During the year, K J Arnott held up to 865 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan. He also held options to subscribe for up to 66,072 shares in PGH granted under the Company's Deferred Bonus Scheme and Long Term Incentive Plan.
 - b) Mr Arnott held an insurance policy 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 2014 was £457,570 including the proceeds from the vesting of options to subscribe for shares in PGH granted under the Company's Long Term Incentive Plan.
 - d) Mr Arnott was a member of the PGL Pension Scheme throughout the year, 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 IPRU(INS). 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 IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PHOENIX LIFE ASSURANCE LIMITED

Global Business

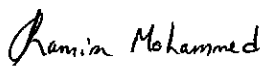
Financial year ended 31 December 2014

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waiver in supplementary note 0201; and
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC, as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) from the beginning of the financial year until 18 June 2014, the insurer has complied in all material aspects with the requirements of PRIN;
 - (iii) from 19 June 2014 until the end of the financial year, the insurer has complied in all material respects with the Fundamental Rules; and
 - (iv) it is reasonable to believe that the insurer has continued so to comply with the requirements of SYSC, the Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU subsequently, and will continue so to comply in future.
2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (c) the with profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; 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.



A Moss
Executive



S Mohammed
Director



S C True
Director

Date: 17 March 2015

Returns under the Accounts and Statements Rules

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

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2014

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

- Forms 2, 3, 11 to 20, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction on 6 December 2012 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Returns under the Accounts and Statements Rules

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

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2014

(continued)

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 18 March 2015. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer:

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP

Statutory Auditor

London

18 March 2015