

PHOENIX LIFE ASSURANCE LIMITED

(Formerly Pearl Assurance Limited)

Annual FSA Insurance Returns for the year ended

31 December 2012

IPRU(INS) Appendices 9.1, 9.2, 9.3, 9.4, 9.4A, 9.6

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

Global business

Financial year ended **31 December 2012**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R1	1419	GL	31	12	2012	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising outside the long-term insurance fund	11		539504
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		524504
Capital resources available to cover general insurance business capital resources requirement (11-12)	13		15000

Guarantee fund

Guarantee fund requirement	21		3056
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22		11944

Minimum capital requirement (MCR)

General insurance capital requirement	31		2967
Base capital resources requirement	33		3056
Individual minimum capital requirement	34		3056
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36		3056
Excess (deficiency) of available capital resources to cover 50% of MCR	37		13472
Excess (deficiency) of available capital resources to cover 75% of MCR	38		12708

Capital resources requirement (CRR)

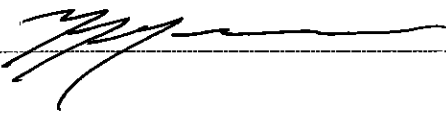
Capital resources requirement	41		3056
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42		11944

Contingent liabilities

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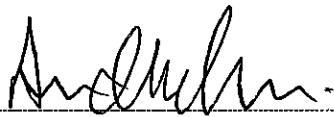
Covering Sheet to Form 1

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2012**



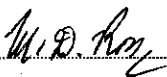
M J Merrick

Chief Executive



A Moss

Director



M D Ross

Director

Date: 18 March 2013

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

Global business

Financial year ended **31 December 2012**

Adjusted solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units	
	R2	1419	GL	31	12	2012	£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	1319062	1380941
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	733586	524504
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2052648	1905445

Guarantee fund

Guarantee fund requirement	21	273396	300033
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1779253	1582625

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	422720	398635
Resilience capital requirement	32		
Base capital resources requirement	33	2984	3056
Individual minimum capital requirement	34	422720	398635
Capital requirements of regulated related undertakings	35	132489	170209
Minimum capital requirement (34+35)	36	555209	568844
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1775044	1621023
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1636242	1478812

Enhanced capital requirement

With-profits insurance capital component	39	891364	783739
Enhanced capital requirement	40	1446573	1352583

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1446573	1352583
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	606075	552862

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 resourcesName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2012	£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		782994	782994	627884
Share premium account	13		40716	40716	40716
Positive valuation differences	14		770465	770465	736611
Fund for future appropriations	15		303954	303954	280713
Core tier one capital in related undertakings	16		20029	20029	11243
Core tier one capital (sum of 11 to 16)	19		2260268	2260268	2039276

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		2260268	2260268	2039276
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				5329
Other negative valuation differences	35				
Deductions in related undertakings	36		78727	78727	22683
Deductions from tier one (32 to 36)	37		78727	78727	28012
Total tier one capital after deductions (31-37)	39		2181540	2181540	2011264

Components of capital resourcesName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2012	£000
		General insurance business		Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year
		1		2	3	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		250000	250000	250000
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		250000	250000	250000

Total tier two capital before restrictions (49+59)	61		250000	250000	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		250000	250000	250000

Components of capital resourcesName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/UK/CM	day month year			Units
R3	1419	GL	31	12	2012	£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		2431540	2431540	2261264	
Inadmissible assets other than intangibles and own shares	73		8129	8129	30797	
Assets in excess of market risk and counterparty limits	74		370763	370763	310022	
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		2052648	2052648	1920445	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2052648	2052648	1897658	
Available capital resources for 50% MCR requirement	82		2052648	2052648	1920445	
Available capital resources for 75% MCR requirement	83		2052648	2052648	1920445	

Financial engineering adjustments

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

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

General insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	1419	GL	31	12	2012	£000
	This financial year						Previous year
	1						2
Gross premiums written	11						
Premiums taxes and levies (included in line 11)	12						
Premiums written net of taxes and levies (11-12)	13						
Premiums for classes 11, 12 or 13 (included in line 13)	14						
Premiums for "actuarial health insurance" (included in line 13)	15						
Sub-total A (13 + 1/2 14 - 2/3 15)	16						
Gross premiums earned	21						
Premium taxes and levies (included in line 21)	22						
Premiums earned net of taxes and levies (21-22)	23						
Premiums for classes 11, 12 or 13 (included in line 23)	24						
Premiums for "actuarial health insurance" (included in line 23)	25						
Sub-total H (23 + 1/2 24 - 2/3 25)	26						
Sub-total I (higher of sub-total A and sub-total H)	30						
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					
	Excess (if any) over 61.3M EURO x 0.02	33					
Sub-total J (32-33)	34						
Claims paid in period of 3 financial years	41						6573
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42					7659
	For insurance business accounted for on an accident year basis	43					38884
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44					7546
	For insurance business accounted for on an accident year basis	45					46328
Sub-total C (41+42+43-44-45)	46						(758)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47						(1614)
Sub-total D (46-47)	48						856
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)	49						0.50
Premiums amount (Sub-total J x reinsurance ratio)	50						
Provision for claims outstanding (before discounting and net of reinsurance)	51						37897
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						2967
Greater of lines 50 and 53	54						2967

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	1419	GL	31	12	2012	£000
			This financial year 1			Previous year 2	
Gross premiums written			11			1150	1214
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			1150	1214
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			1061	1126
Sub-total A (13 + 1/2 14 - 2/3 15)			16			443	463
Gross premiums earned			21			1152	1217
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			1152	1217
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			1063	1129
Sub-total H (23 + 1/2 24 - 2/3 25)			26			443	464
Sub-total I (higher of sub-total A and sub-total H)			30			443	464
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			80	84
	Excess (if any) over 61.3M EURO x 0.02		33				
Sub-total J (32-33)			34			80	84
Claims paid in period of 3 financial years			41			1909	2104
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			2297	2742
	For insurance business accounted for on an accident year basis		43			2449	2316
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			4046	4971
	For insurance business accounted for on an accident year basis		45			2484	1980
Sub-total C (41+42+43-44-45)			46			125	211
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
Sub-total D (46-47)			48			125	211
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			80	84
Provision for claims outstanding (before discounting and net of reinsurance)			51			4243	4517
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			124	87
Greater of lines 50 and 53			54			124	87

Calculation of general insurance capital requirement - claims amount and resultName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2012	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11				36
Claims paid in reference period				21				6573
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				7659
	For insurance business accounted for on an accident year basis			23				38884
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				7546
	For insurance business accounted for on an accident year basis			25				46328
Claims incurred in reference period (21+22+23-24-25)				26				(758)
Claims incurred for classes 11, 12 or 13 (included in 26)				27				4133
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29				1308
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				436
Division of sub-total F (gross adjusted claims amount)	x 0.26			32				113
	Excess (if any) over 42.9M EURO x 0.03			33				
Sub-total G (32-33)				39				113
Claims amount Sub-total G x reinsurance ratio (11.49)				41				57
Higher of premiums amount and brought forward amount (11.54)				42				2967
General insurance capital requirement (higher of lines 41 and 42)				43				2967

Calculation of general insurance capital requirement - claims amount and resultName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2012	£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				1909	2104
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22				2297	2742
	For insurance business accounted for on an accident year basis		23				2449	2316
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24				4046	4971
	For insurance business accounted for on an accident year basis		25				2484	1980
Claims incurred in reference period (21+22+23-24-25)			26				125	211
Claims incurred for classes 11, 12 or 13 (Included in 26)			27					
Claims incurred for "actuarial health insurance" (Included in 26)			28				1155	1498
Sub-total E (26 +1/2 27 - 2/3 28)			29				(645)	(788)
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				(215)	(263)
Division of sub-total F (gross adjusted claims amount)	x 0.26		32				(56)	(68)
	Excess (if any) over 42.9M EURO x 0.03		33					
Sub-total G (32-33)			39				(56)	(68)
Claims amount Sub-total G x reinsurance ratio (11.49)			41				(56)	(68)
Higher of premiums amount and brought forward amount (11.54)			42				124	87
General insurance capital requirement (higher of lines 41 and 42)			43				124	87

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	51239	
	Debts and loans	22	130000	50000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	250	
	Debts and loans	26		157486
Other group undertakings	Shares	27		
	Debts and loans	28	165356	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	8587		
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	202080	240137	
Rights under derivative contracts	44	15066	33851	
Fixed interest securities	Approved	45		52778
	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		53	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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		8646
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	11529	3809
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	33095	935
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4935	536
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1	2471

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	622138	550703
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2012		
	1419	GL	31	12	2012	£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	622138	550703
Admissible assets in excess of market and counterparty limits	92	334482	271444
Inadmissible assets directly held	93	6288	9482
Capital resources requirement deduction of regulated related undertakings	94	132489	181510
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	22706	22816
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	251165	2756
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		
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	1369268	1038711
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	300305	209112

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			31497	42088

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21				
	Debts and loans	22			65000	65000
Other insurance dependants	Shares	23				
	Debts and loans	24				
Non-insurance dependants	Shares	25			10514	11810
	Debts and loans	26				215544
Other group undertakings	Shares	27				
	Debts and loans	28			17936	
Participating interests	Shares	29				
	Debts and loans	30				

Other financial investments

Equity shares	41		690412	680505
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		5471527	5647996
Rights under derivative contracts	44		1267873	1754116
Fixed interest securities	Approved	45	3854715	3621290
	Other	46	2945857	3162725
Variable interest securities	Approved	47	780648	807891
	Other	48	1395244	1455629
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		11205	8783
Other loans	53		8631	8991
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		21363	24884
Assets held to match linked liabilities	Index linked	58	7084	140
	Property linked	59	312948	97

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		525
	Ceded	75	1684	548
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	47438	19416
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	362764	346495
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	95422	109770
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2986	180

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	17402749	17984423
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	17402749	17984423
Admissible assets in excess of market and counterparty limits	92	36281	38578
Inadmissible assets directly held	93	1841	21182
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	(216405)	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3012076	2525928
Other asset adjustments (may be negative)	101	(40567)	(108997)
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	20195975	20461114
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	121680	361139

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **90:10 Pearl With-Profits Fund**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	1419	GL	31	12	2012	£000	13
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			31497	42088

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	10514	11810
	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	599180	600482	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	4335002	4415558	
Rights under derivative contracts	44	526027	827989	
Fixed interest securities	Approved	45	2015565	2179588
	Other	46	1280430	1161471
Variable interest securities	Approved	47	619424	628537
	Other	48	1043982	1155191
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	7995	8783	
Other loans	53	8631	8991	
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	21363	24884	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	103	97

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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		449
	Ceded	75	0	4
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	34942	2698
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	328514	331163
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	50197	52597
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2431	179

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	10915795	11452560
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	10915795	11452560
Admissible assets in excess of market and counterparty limits	92		405
Inadmissible assets directly held	93	1444	146
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	6518	6533
Other asset adjustments (may be negative)	101	(15263)	(103)
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	10908495	11459541

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	35124	32294
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	255790	320230	
Rights under derivative contracts	44	260893	396241	
Fixed interest securities	Approved	45	795264	802896
	Other	46	264268	290845
Variable interest securities	Approved	47	2585	
	Other	48	44673	57453
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 assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	795	143
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2297	6615
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11966	12948
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	1638530	1887371
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	1638530	1887371
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	(136894)	
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	(868)	(101951)
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	1500769	1785420
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	33	182

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **100:0 London Life With-Profits Fund**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2012		
	1419	GL				£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	1478	
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	246381	
Rights under derivative contracts	44	110678	
Fixed interest securities	Approved	45	441858
	Other	46	153806
Variable interest securities	Approved	47	320
	Other	48	231655
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	3211	
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 assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **100:0 London Life With-Profits Fund**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	1419	GL	31	12	2012	£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	1104
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	482
	due in more than 12 months	79	

Other assets

Tangible assets	80	
Deposits not subject to time restriction on withdrawal with approved institutions	81	24815
Cash in hand	82	
Other assets (particulars to be specified by way of supplementary note)	83	
Accrued interest and rent	84	7879
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	1223672
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	1223672	
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	718	
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	(79511)	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	8958	
Other asset adjustments (may be negative)	101	(21363)	
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	1132474	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	573	

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **0:100 BLAGAB**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2012		
	1419	GL	31	12	2012	£000	11
						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		96044
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		143481
Rights under derivative contracts	44		1754
Fixed interest securities	Approved	45	38429
	Other	46	23661
Variable interest securities	Approved	47	9258
	Other	48	855
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 assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2012	£000	11
						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	543
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	674
	due in more than 12 months	79	

Other assets

Tangible assets	80	
Deposits not subject to time restriction on withdrawal with approved institutions	81	2305
Cash in hand	82	
Other assets (particulars to be specified by way of supplementary note)	83	
Accrued interest and rent	84	4142
Deferred acquisition costs (general business only)	85	
Other prepayments and accrued income	86	1

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	321147
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2012	£000	11
					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		321147
Admissible assets in excess of market and counterparty limits	92		38173
Inadmissible assets directly held	93		29906
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		(3333)
Other asset adjustments (may be negative)	101		76
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		385970
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		102510

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Category of assets **0:100 Non Profit Fund**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2012		
	1419	GL				£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	65000	65000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		119500
Other group undertakings	Shares	27		
	Debts and loans	28	17936	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	89755	80023
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	634355	768727
Rights under derivative contracts		44	370275	528132
Fixed interest securities	Approved	45	602028	600377
	Other	46	1247353	1686747
Variable interest securities	Approved	47	158319	170096
	Other	48	74935	242130
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	7084	140
	Property linked	59	312846	

Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		76
	Ceded	75	580	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	11220	15901
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	7138	6412
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	25380	40084
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	549	

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	3624752	4323346
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Analysis of admissible assetsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	2012	£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	3624752	4323346
Admissible assets in excess of market and counterparty limits	92	36281	
Inadmissible assets directly held	93	(321)	(8870)
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	2996599	2522727
Other asset adjustments (may be negative)	101	(3073)	(7019)
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	6654238	6830184
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	85950	226153

Long term insurance business liabilities and marginsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	9369520	8848985	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	84		
Balance of surplus/(valuation deficit)	13	139789	367165	
Long term insurance business fund carried forward (11 to 13)	14	9509394	9216150	
Claims outstanding	Gross	15	73710	68885
	Reinsurers' share	16	269	266
	Net (15-16)	17	73441	68618
Provisions	Taxation	21		
	Other risks and charges	22	14433	14514
Deposits received from reinsurers	23	1958459	2525058	
Creditors	Direct insurance business	31	1900	924
	Reinsurance accepted	32		
	Reinsurance ceded	33	412	393
Debenlure loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	16767	29571
	Other	38	4618587	5108019
Accruals and deferred income	39	18920	1506	
Provision for "reasonably foreseeable adverse variations"	41	11069	5800	
Total other insurance and non-insurance liabilities (17 to 41)	49	6714083	7754498	
Excess of the value of net admissible assets	51	1179273	1013776	
Total liabilities and margins	59	17402750	17984423	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	12721	13554
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	312949	97

Total liabilities (11+12+49)	71	16083688	16603482
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	3012076	2525928
Other adjustments to liabilities (may be negative)	74	730022	729564
Capital and reserves and fund for future appropriations	75	370190	602140
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	20195975	20461114

Long term insurance business liabilities and marginsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	5946033	6248994	
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	6053455	6356415	
Claims outstanding	Gross	15	57286	63424
	Reinsurers' share	16		
	Net (15-16)	17	57286	63424
Provisions	Taxation	21		
	Other risks and charges	22	13464	14514
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	143	924
	Reinsurance accepted	32		
	Reinsurance ceded	33	16	16
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	5423	23213
	Other	38	3581191	3972914
Accruals and deferred income	39	16232	1468	
Provision for "reasonably foreseeable adverse variations"	41	9218	5800	
Total other insurance and non-insurance liabilities (17 to 41)	49	3683068	4082369	
Excess of the value of net admissible assets	51	1179273	1013776	
Total liabilities and margins	59	10915795	11452560	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11991	10628
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	103	97

Total liabilities (11+12+49)	71	9629102	10331363
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6518	6533
Other adjustments to liabilities (may be negative)	74	968921	840932
Capital and reserves and fund for future appropriations	75	303954	280713
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	10908495	11459541

Long term insurance business liabilities and marginsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **100:0 SERP Fund**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	1378216	1415118	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	4961	9930	
Long term insurance business fund carried forward (11 to 13)	14	1383177	1425048	
Claims outstanding	Gross	15	7585	3606
	Reinsurers' share	16		
	Net (15-16)	17	7585	3606
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	0	2
	Other	38	246818	458707
Accruals and deferred income	39	950	8	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	255353	462923	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1638530	1887371	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	39	1455
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	1633570	1877441
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(132801)	(92021)
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	1500769	1785420

Long term insurance business liabilities and marginsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**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	787652	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12	84	
Balance of surplus/(valuation deficit)		13	5000	
Long term insurance business fund carried forward (11 to 13)		14	792736	
Claims outstanding	Gross	15	5102	
	Reinsurers' share	16		
	Net (15-16)	17	5102	
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23	21363	
Creditors	Direct Insurance business	31	15	
	Reinsurance accepted	32		
	Reinsurance ceded	33	21	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	1911	
	Other	38	399419	
Accruals and deferred income		39	1254	
Provision for "reasonably foreseeable adverse variations"		41	1851	
Total other insurance and non-insurance liabilities (17 to 41)		49	430936	
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	1223672	

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	1218672	
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	8958	
Other adjustments to liabilities (may be negative)		74	(95156)	
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	1132474	

Long term insurance business liabilities and marginsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **0:100 BLAGAB**Units **£000**

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

Mathematical reserves, after distribution of surplus		11		63719
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		239815
Long term insurance business fund carried forward (11 to 13)		14		303533
Claims outstanding	Gross	15		1310
	Reinsurers' share	16		266
	Net (15-16)	17		1044
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		373
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		6365
	Other	38		9828
Accruals and deferred income		39		5
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49		17614
Excess of the value of net admissible assets		51		
Total liabilities and margins		59		321147

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61		227
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		

Total liabilities (11+12+49)		71		81333
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		(3333)
Other adjustments to liabilities (may be negative)		74		4453
Capital and reserves and fund for future appropriations		75		303516
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		385970

Long term insurance business liabilities and marginsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **0:100 Non Profit Fund**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	1257619	1121154
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	22407	10000
Long term insurance business fund carried forward (11 to 13)		14	1280026	1131154
Claims outstanding	Gross	15	3738	544
	Reinsurers' share	16	269	
	Net (15-16)	17	3468	544
Provisions	Taxation	21		
	Other risks and charges	22	969	
Deposits received from reinsurers		23	1937096	2525058
Creditors	Direct insurance business	31	1742	
	Reinsurance accepted	32		
	Reinsurance ceded	33	376	4
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	9433	(9)
	Other	38	391157	666570
Accruals and deferred income		39	484	25
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	2344725	3192191
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	3624752	4323346

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	691	1244
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	312846	

Total liabilities (11+12+49)		71	3602344	4313346
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	2996599	2522727
Other adjustments to liabilities (may be negative)		74	(10942)	(23800)
Capital and reserves and fund for future appropriations		75	66236	17911
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	6654238	6830184

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

Global business

Financial year ended **31 December 2012**

R15	Company registration number 1419	GL/ UK/ CM	day month year			Units £000
			31	12	2012	
			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		46543
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		46543

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22	15	87951
Deposits received from reinsurers	31			
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		865
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions	46			
Creditors	Taxation	47	4571	944
	Foreseeable dividend	48		
	Other	49	14477	48951
Accruals and deferred income	51	1855	7454	
Total (19 to 51)	59	20918	192708	
Provision for "reasonably foreseeable adverse variations"	61	123		
Cumulative preference share capital	62			
Subordinated loan capital	63	250000	250000	
Total (59 to 63)	69	271041	442708	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	252948	253198
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Amounts deducted from technical provisions for discounting	82		5329
Other adjustments (may be negative)	83	(1355)	(87951)
Capital and reserves	84	1099583	689283
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	1369268	1038711

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

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2012	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11			(5242)	2265	
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			48594	69143	
Investment income	Income		14			8590	80574	
	Value re-adjustments on investments		15			34394	7138	
	Gains on the realisation of investments		16			4448	14617	
Investment charges	Investment management charges, including interest		17			12210	10110	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19			15222	467	
Allocated investment return transferred to the general insurance business technical account			20			71	3777	
Other income and charges (particulars to be specified by way of supplementary note)			21			(7553)	(212)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			55728	159172	
Tax on profit or loss on ordinary activities			31			(10660)	(3901)	
Profit or loss on ordinary activities after tax (29-31)			39			66388	163073	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41			230289		
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			296677	163073	
Dividends (paid or foreseeable)			51			150000	35000	
Profit or loss retained for the financial year (49-51)			59			146677	128073	

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

Global business

Financial year ended **31 December 2012**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	2012	£000	1
Derivative contracts					Value as at the end of this financial year		Notional amount as at the end of this financial year		
					Assets	Liabilities		Bought / Long	Sold / Short
					1	2		3	4
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12				1152			92330
	Inflation	13		10596					259630
	Credit index / basket	14		3397					424355
	Credit single name	15							
	Equity Index	16		121		658			80158
	Equity stock	17							
	Land	18							
	Currencies	19		951		108		10140	105813
	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		15066		1918		10140	962286
Adjustment for variation margin		52							
Total (51 + 52)		53		15066		1918			

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 2012**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	2012	£000	10
Derivative contracts					Value as at the end of this financial year		Notional amount as at the end of this financial year		
				Assets	Liabilities		Bought / Long	Sold / Short	
				1	2		3	4	
Futures and contracts for differences	Fixed-Interest securities	11	1755	541	649372	264987			
	Interest rates	12	1013015	973118	5894982	4721658			
	Inflation	13	1291	134	10000	25781			
	Credit index / basket	14	1798	3448	4055				
	Credit single name	15	945	134	17089	3974			
	Equity index	16	84	623	36725	50817			
	Equity stock	17							
	Land	18							
	Currencies	19	11064	2857	677018	2438463			
	Mortality	20							
	Other	21	2229	15961	565013	219400			
In the money options	Swaptions	31	231140		847200				
	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	4552		959456				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	1267873	996816	9660911	7725080			
Adjustment for variation margin		52							
Total (51 + 52)		53	1267873	996816					

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 2012**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	2012	£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	1656	486	449904	241313			
	Interest rates	12	397964	518680	1659136	2368814			
	Inflation	13	982		10000				
	Credit index / basket	14		3448	4055				
	Credit single name	15	46	134	4785	3974			
	Equity index	16	76	600	23158	46021			
	Equity stock	17							
	Land	18							
	Currencies	19	6939	2161	533046	1381755			
	Mortality	20							
Other	21	2047	12187	432213	211500				
In the money options	Swaptions	31	112801		508200				
	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	3517		428526				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	526027	537696	4053024	4253378			
Adjustment for variation margin		52							
Total (51 + 52)		53	526027	537696					

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 2012**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	2012	£000	14
Derivative contracts					Value as at the end of this financial year		Notional amount as at the end of this financial year		
				Assets	Liabilities		Bought / Long	Sold / Short	
				1	2		3	4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12		142303		127581	980654		1144354
	Inflation	13		65		4			5209
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19		4					5030
	Mortality	20							
Other	21		182		2152	104300		7900	
In the money options	Swaptions	31		118338			339000		
	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		0			86320		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51		260893		129737	1510274		1162493
Adjustment for variation margin		52							
Total (51 + 52)		53		260893		129737			

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 2012**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	2012	£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					26		5347
	Interest rates	12		109398			111654	919488	169543
	Inflation	13		183			21		12482
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16		8			23	13567	4795
	Equity stock	17							
	Land	18							
	Currencies	19		53			75	95868	33301
	Mortality	20							
	Other	21					1622	28500	
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		1035				444610	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51		110678			113421	1502034	225468
Adjustment for variation margin		52							
Total (51 + 52)		53		110678			113421		

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 2012**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	2012	£000	12
Derivative contracts					Value as at the end of this financial year		Notional amount as at the end of this financial year		
				Assets	Liabilities		Bought / Long	Sold / Short	
				1	2		3	4	
Futures and contracts for differences	Fixed-interest securities	11	98	29	199469	18328			
	Interest rates	12	363350	215203	2335703	1038947			
	Inflation	13	62	110		8090			
	Credit index / basket	14	1798						
	Credit single name	15	900		12304				
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	4067	621	48103	1018375			
	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	370275	215962	2595579	2083740			
Adjustment for variation margin		52							
Total (51 + 52)		53	370275	215962					

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-Profis Fund**Financial year ended **31 December 2012**Units **£000**

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

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	10915795	11452560
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	161463	175470
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	6475	5987
	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	10747857	11271103
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5784570	6073524
	Regulatory current liabilities of the fund	22	3683068	4082369
	Total (21+22)	29	9467638	10155893
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	232824	208219
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	9700462	10364111
Regulatory excess capital (19-39)		49	1047395	906991

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	1047395	906991
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	156031	134553
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	891364	772438

With-profits insurance capital component for the fund

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2012**
 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	1638530	1887371
	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	1638530	1887371
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1378217	1415118
	Regulatory current liabilities of the fund	22	255353	462323
	Total (21+22)	29	1633570	1877441
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	55130	48115
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	1688700	1925556
Regulatory excess capital (19-39)		49	(50170)	(38186)

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	(50170)	(38186)
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 fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **100:0 London Life With-Profits Fund**Financial year ended **31 December 2012**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	1223672	
	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	1223672	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	787736	
	Regulatory current liabilities of the fund	22	430936	
	Total (21+22)	29	1218672	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	31847	
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	1250519	
Regulatory excess capital (19-39)		49	(26847)	

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	(26847)	
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 sheetName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **90:10 Pearl With-Profits Fund**Financial year ended **31 December 2012**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	10747857	11271103
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		405
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	8427	12533
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	10756284	11284041
Support arrangement assets	27		
Assets available to the fund (26+27)	29	10756284	11284041

Realistic value of liabilities of fund

With-profits benefit reserve	31	4747045	4913266	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	52327	52327
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	1261101	1097053
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	223116	264527
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	252027	325917
	Future costs of non-contractual commitments	42	121730	129684
	Future costs of financial options	43	388270	423141
	Future costs of smoothing (possibly negative)	44	1495	(26605)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	481555	557216
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2335389	2294206	
Realistic current liabilities of the fund	51	3673850	4076569	
Realistic value of liabilities of fund (31+49+51)	59	10756284	11284041	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2012**
 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	10756284	11284041
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	10756284	11284041
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	350000	418055
Additional amount potentially available for inclusion in line 63	82	60549	44165

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2012**
 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	1638530	1887371
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	1638530	1887371
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1638530	1887371

Realistic value of liabilities of fund

With-profits benefit reserve	31	513770	549371	
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	716	1156
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	(591)	(674)
	Future costs of contractual guarantees (other than financial options)	41	731612	770040
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		3475
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	137920	102645
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	869407	875677
Realistic current liabilities of the fund	51	255353	462323	
Realistic value of liabilities of fund (31+49+51)	59	1638530	1887371	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2012**
 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	1638530	1887371
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	1638530	1887371
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		
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 2012**
 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	1223672	
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	1223672	
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1223672	

Realistic value of liabilities of fund

With-profits benefit reserve	31	557676	
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	138117
	Future costs of non-contractual commitments	42	5595
	Future costs of financial options	43	15169
	Future costs of smoothing (possibly negative)	44	(7505)
	Financing costs	45	78793
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	6742
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	236911
Realistic current liabilities of the fund	51	429085	
Realistic value of liabilities of fund (31+49+51)	59	1223672	

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 2012**
 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	1223672	
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	1223672	
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	350000	
Additional amount potentially available for inclusion in line 63	82		

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

Global business

Financial year ended **31 December 2012****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	001
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
Balance of year's underwriting (11-12-13+14-15+16-17)		19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22				(56)	(2184)	
	Claims management costs	(22.14.4)	23				10	2087	
	Adjustment for discounting	(22.51.4)	24				(5329)	(1838)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26				(4)	5	
Balance (21-22-23+24+25-26)		29				(5279)	(1745)		
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31				(35)	233	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(35)	233	
Balance of all years' underwriting (19+29+39)			49				(5313)	(1512)	
Allocated investment income			51				71	3777	
Transfer to non-technical account (49+51)			59				(5242)	2265	

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

Global business

Financial year ended **31 December 2012****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	002
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22				(56)	(2184)	
	Claims management costs	(22.14.4)	23				10	2087	
	Adjustment for discounting	(22.51.4)	24				(5329)	(1838)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26				(4)	5	
	Balance (21-22-23+24+25-26)		29				(5279)	(1745)	
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				(5279)	(1745)	
Allocated investment income			51				71	3699	
Transfer to non-technical account (49+51)			59				(5207)	1954	

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

Global business

Financial year ended **31 December 2012****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	003
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
Balance of year's underwriting (11-12-13+14-15+16-17)		19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22						
	Claims management costs	(22.14.4)	23						
	Adjustment for discounting	(22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26						
Balance (21-22-23+24+25-26)		29							
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31				(35)	233	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(35)	233	
Balance of all years' underwriting (19+29+39)			49				(35)	233	
Allocated investment income			51					78	
Transfer to non-technical account (49+51)			59				(35)	311	

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

Global business

Financial year ended **31 December 2012****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	270
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22				112	(2424)	
	Claims management costs	(22.14.4)	23				9	1599	
	Adjustment for discounting	(22.51.4)	24				(5329)	(1838)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26				(2)		
	Balance (21-22-23+24+25-26)		29				(5448)	(1014)	
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				(5448)	(1014)	
Allocated investment income			51				71	2517	
Transfer to non-technical account (49+51)			59				(5377)	1504	

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

Global business

Financial year ended **31 December 2012****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	409
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22			(169)		239	
	Claims management costs (22.14.4)		23			1		488	
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26			(2)		5	
	Balance (21-22-23+24+25-26)		29			170		(732)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49			170		(732)	
Allocated investment income			51					1182	
Transfer to non-technical account (49+51)			59			170		450	

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

Global business

Financial year ended **31 December 2012****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	500
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				(35)	182	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(35)	182	
Balance of all years' underwriting (19+29+39)			49				(35)	182	
Allocated investment income			51					24	
Transfer to non-technical account (49+51)			59				(35)	206	

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

Global business

Financial year ended **31 December 2012****Total proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2012	£000	600
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				1		51
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				1		51
Balance of all years' underwriting (19+29+39)			49				1		51
Allocated investment income			51						54
Transfer to non-technical account (49+51)			59				1		106

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012****Total business**

		Company registration number	GL/UK/CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2012	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	37297	37299			2		
	Reinsurers' share	12	3366	3425			59		
	Net (11-12)	13	33931	33875			(56)		
	Claims management costs	14	1588	1598			10		
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23		(4)		(4)			
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(4)		(4)		
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	5084				(5084)		
	Reinsurers' share	32							
	Claims management costs	33	245				(245)		
	Total (31-32+33)	39	5329				(5329)		
Split of line 29	Prior financial years	41			(4)		(4)		
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	5329				(5329)		
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2012	£000	002
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		37297			37299		2
	Reinsurers' share	12		3366			3425		59
	Net (11-12)	13		33931			33875		(56)
	Claims management costs	14		1588			1598		10
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23					(4)		(4)
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29					(4)		(4)
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		5084					(5084)
	Reinsurers' share	32							
	Claims management costs	33		245					(245)
	Total (31-32+33)	39		5329					(5329)
Split of line 29	Prior financial years	41					(4)		(4)
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		5329					(5329)
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2012	£000	120
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	38	41				3	
	Reinsurers' share	12	38	41				3	
	Net (11-12)	13							
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23							
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29							
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2012	£000	270
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		36055			36212		156
	Reinsurers' share	12		2328			2372		44
	Net (11-12)	13		33727			33840		112
	Claims management costs	14		1588			1597		9
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23					(2)		(2)
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29					(2)		(2)
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		5084					(5084)
	Reinsurers' share	32							
	Claims management costs	33		245					(245)
	Total (31-32+33)	39		5329					(5329)
Split of line 29	Prior financial years	41					(2)		(2)
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		5329					(5329)
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2012	£000	409
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	1203	1046			(157)		
	Reinsurers' share	12	1000	1011			11		
	Net (11-12)	13	203	35			(169)		
	Claims management costs	14		1			1		
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23		(2)			(2)		
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29					(2)		(2)
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41				(2)			(2)
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

Total business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		1419	GL	day month year			Units	Category number	
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)			31	12	2012			£000
			R23	R23		R23		R23		R23		R23			R23			
12	2012	11																
12	2011	12																
12	2010	13																
12	2009	14																
12	2008	15																
12	2007	16																
12	2006	17																
12	2005	18																
12	2004	19																
12	2003	20																
Prior accident years						33875		1500	32431	(56)								
Reconciliation																		
Total (11 to 22)						33875		1500	32431	(56)								

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

Total primary (direct) and facultative business

Accident year ended	Month	Year	Company registration number											Units		Category number			
			R23		1419		GL		31		12		2012		£000		002		
			Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6+7+8)		Deduction for discounting from claims outstanding carried forward (net)		Earned premiums (net)		Deterioration/ (surplus) of original claims reserve %								
			Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	
			5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
			Claims outstanding carried forward		Claims paid (net) during this financial year		Total claims paid (net) since the end of the accident year, but prior to this financial year		Claims outstanding (net) as at end of the accident year		Claims paid (net) during the accident year		Claims paid (net) during this financial year		Total claims paid (net) since the end of the accident year, but prior to this financial year		Claims outstanding (net) as at end of the accident year		
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
12	2012	11																	
12	2011	12																	
12	2010	13																	
12	2009	14																	
12	2008	15																	
12	2007	16																	
12	2006	17																	
12	2005	18														13			
12	2004	19														305			
12	2003	20														250			
Prior accident years						33875				1500	32431					(56)			
Reconciliation																			
Total (11 to 22)						33875				1500	32431					(56)			

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

Total primary (direct) and facultative personal lines motor business

Accident year ended	Month	Year	Claims paid (net) during the accident year		Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Company registration number	GL/UK/CM	day month year			Units	Category number	
			1	2			3	4	5	6			7	8	9			10
	12	2012	11								1419	GL	31	12	2012	£000	120	
	12	2011	12															
	12	2010	13															
	12	2009	14															
	12	2008	15															
	12	2007	16															
	12	2006	17															
	12	2005	18															
	12	2004	19											102				
	12	2003	20											201				
		Prior accident years	21															
		Reconciliation	22															
		Total (11 to 22)	29															

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2012**

Total primary (direct) and facultative commercial lines liability business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		7	8	9	10	day month year		Units	Category number
							Reported (net)	Incurred but not reported (net)					31	12 2012		
			Claims paid (net) during the accident year		Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding brought forward		Company registration number		GL/UK/CM	Deterioration/ (surplus) of original claims reserve %				
			1	2	3	4	5	6	7	8	9	10	11	12	13	
	12	2012	11													
	12	2011	12													
	12	2010	13													
	12	2009	14													
	12	2008	15													
	12	2007	16													
	12	2006	17													
	12	2005	18										13			
	12	2004	19										42			
	12	2003	20													
Prior accident years			21			33840			1500	32228	112					
Reconciliation			22													
Total (11 to 22)			29			33840			1500	32228	112					

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

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2012

Balance of all primary (direct) and facultative business

Accident year ended	Month	Year	Company registration number										Units	Category number												
			R23		1419		GL		31		12				2012		£000	409								
			Claims paid (net) during the accident year		Claims outstanding (net) as at end of the accident year		Total claims paid (net) since the end of the accident year but prior to this financial year		Claims paid (net) during this financial year		Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)				GL		day month year		Deterioration/ (surplus) of original claims reserve %			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	29	
	12	2012																								
	12	2011																								
	12	2010																								
	12	2009																								
	12	2008																								
	12	2007																								
	12	2006																								
	12	2005																								
	12	2004																								
	12	2003																								
Prior accident years						35				203	(169)										161					
Reconciliation																										
Total (11 to 22)						35				203	(169)															

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(633906)	106748
Investment income receivable before deduction of tax	12	699253	560939
Increase (decrease) in the value of non-linked assets brought into account	13	(23855)	813641
Increase (decrease) in the value of linked assets	14	14226	(19)
Other income	15	442	3714
Total income	19	56160	1485024

Expenditure

Claims incurred	21	668569	588835
Expenses payable	22	89446	126499
Interest payable before the deduction of tax	23	9280	23028
Taxation	24	472	21216
Other expenditure	25	56877	249820
Transfer to (from) non technical account	26	48594	69143
Total expenditure	29	873237	1078541

Business transfers - in	31	1110321	239366
Business transfers - out	32		213104
Increase (decrease) in fund in financial year (19-29+31-32)	39	293244	432746
Fund brought forward	49	9216150	8783404
Fund carried forward (39+49)	59	9509394	9216150

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 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	66845	77055
Investment income receivable before deduction of tax	12	425423	302971
Increase (decrease) in the value of non-linked assets brought into account	13	(48401)	397001
Increase (decrease) in the value of linked assets	14	(2)	(19)
Other income	15	(143)	469
Total income	19	443723	777477

Expenditure

Claims incurred	21	461213	447187
Expenses payable	22	66088	107968
Interest payable before the deduction of tax	23	6866	20860
Taxation	24	17007	38362
Other expenditure	25		
Transfer to (from) non technical account	26	12992	11344
Total expenditure	29	564167	625722

Business transfers - in	31		
Business transfers - out	32	182516	160486
Increase (decrease) in fund in financial year (19-29+31-32)	39	(302960)	(8732)
Fund brought forward	49	6356415	6365146
Fund carried forward (39+49)	59	6053455	6356415

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 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	6153	7014
Investment income receivable before deduction of tax	12	78128	69434
Increase (decrease) in the value of non-linked assets brought into account	13	14313	204240
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	98595	280688

Expenditure

Claims incurred	21	102116	85830
Expenses payable	22	3300	4675
Interest payable before the deduction of tax	23	712	727
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	(27500)	22000
Total expenditure	29	78627	113231

Business transfers - in	31		
Business transfers - out	32	61838	51891
Increase (decrease) in fund in financial year (19-29+31-32)	39	(41871)	115566
Fund brought forward	49	1425048	1309482
Fund carried forward (39+49)	59	1383177	1425048

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 2012**
 Units **£000**

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

Income

Earned premiums	11	2446	
Investment income receivable before deduction of tax	12	22473	
Increase (decrease) in the value of non-linked assets brought into account	13	11534	
Increase (decrease) in the value of linked assets	14		
Other income	15	101792	
Total income	19	138245	

Expenditure

Claims incurred	21	32012	
Expenses payable	22	1688	
Interest payable before the deduction of tax	23	247	
Taxation	24	3615	
Other expenditure	25		
Transfer to (from) non technical account	26	(21833)	
Total expenditure	29	15729	

Business transfers - in	31	690562	
Business transfers - out	32	20342	
Increase (decrease) in fund in financial year (19-29+31-32)	39	792736	
Fund brought forward	49		
Fund carried forward (39+49)	59	792736	

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	7474	15031
Investment income receivable before deduction of tax	12	3600	6596
Increase (decrease) in the value of non-linked assets brought into account	13	3014	14477
Increase (decrease) in the value of linked assets	14		
Other income	15	82	107
Total income	19	14171	36212

Expenditure

Claims incurred	21	5400	9675
Expenses payable	22	2268	4596
Interest payable before the deduction of tax	23		
Taxation	24	(3065)	(17271)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	4602	(3000)

Business transfers - in	31		
Business transfers - out	32	313102	93
Increase (decrease) in fund in financial year (19-29+31-32)	39	(303533)	39118
Fund brought forward	49	303533	264415
Fund carried forward (39+49)	59		303533

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 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(716824)	7648
Investment income receivable before deduction of tax	12	169628	181938
Increase (decrease) in the value of non-linked assets brought into account	13	(4316)	197923
Increase (decrease) in the value of linked assets	14	14228	
Other income	15	502	3137
Total income	19	(536782)	390647

Expenditure

Claims incurred	21	67828	46143
Expenses payable	22	16102	9261
Interest payable before the deduction of tax	23	1454	1441
Taxation	24	(17085)	125
Other expenditure	25	158668	249820
Transfer to (from) non technical account	26	84935	35799
Total expenditure	29	311903	342587

Business transfers - in	31	1000711	239366
Business transfers - out	32	3154	633
Increase (decrease) in fund in financial year (19-29+31-32)	39	148872	286793
Fund brought forward	49	1131154	844361
Fund carried forward (39+49)	59	1280026	1131154

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Regular premiums	11	53741	41043		94784	101913
Single premiums	12	251	(637564)		(637313)	8337

Reinsurance - external

Regular premiums	13	3447	17		3464	3338
Single premiums	14		1157761		1157761	

Reinsurance - intra-group

Regular premiums	15	174	1		175	165
Single premiums	16		(1070024)		(1070024)	

Net of reinsurance

Regular premiums	17	50120	41025		91145	98411
Single premiums	18	251	(725302)		(725051)	8337

Total

Gross	19	53992	(596521)		(542529)	110251
Reinsurance	20	3621	87755		91377	3503
Net	21	50371	(684277)		(633906)	106748

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 2012**
 Units **£000**

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

Gross

Regular premiums	11	33194	34173		67367	75979
Single premiums	12		(284)		(284)	1343

Reinsurance - external

Regular premiums	13	92			92	103
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	146			146	165
Single premiums	16					

Net of reinsurance

Regular premiums	17	32955	34173		67129	75712
Single premiums	18		(284)		(284)	1343

Total

Gross	19	33194	33890		67084	77322
Reinsurance	20	238			238	268
Net	21	32955	33890		66845	77055

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 2012**
 Units **£000**

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

Gross

Regular premiums	11		6153		6153	7012
Single premiums	12					2

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		6153		6153	7012
Single premiums	18					2

Total

Gross	19		6153		6153	7014
Reinsurance	20					
Net	21		6153		6153	7014

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 2012**
 Units **£000**

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

Gross

Regular premiums	11	1767	528		2295	
Single premiums	12		197		197	

Reinsurance - external

Regular premiums	13	17	2		19	
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	28			28	
Single premiums	16					

Net of reinsurance

Regular premiums	17	1723	526		2249	
Single premiums	18		197		197	

Total

Gross	19	1767	726		2492	
Reinsurance	20	44	2		46	
Net	21	1723	723		2446	

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Regular premiums	11	9011			9011	17686
Single premiums	12	110			110	580

Reinsurance - external

Regular premiums	13	1647			1647	3235
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	7364			7364	14451
Single premiums	18	110			110	580

Total

Gross	19	9121			9121	18266
Reinsurance	20	1647			1647	3235
Net	21	7474			7474	15031

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 2012**
 Units **£000**

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

Gross

Regular premiums	11	9770	189		9958	1237
Single premiums	12	141	(637478)		(637338)	6412

Reinsurance - external

Regular premiums	13	1691	15		1706	
Single premiums	14		1157761		1157761	

Reinsurance - intra-group

Regular premiums	15		1		1	
Single premiums	16		(1070024)		(1070024)	

Net of reinsurance

Regular premiums	17	8078	173		8251	1237
Single premiums	18	141	(725216)		(725075)	6412

Total

Gross	19	9911	(637290)		(627379)	7648
Reinsurance	20	1691	87753		89445	
Net	21	8219	(725043)		(716824)	7648

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 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	65469	22941		88410	78600
Disability periodic payments	12	328			328	97
Surrender or partial surrender	13	85539	232085		317624	273435
Annuity payments	14	3001	254874		257875	253580
Lump sums on maturity	15	156681	50896		207577	187689
Total	16	311018	560795		871813	793402

Reinsurance - external

Death or disability lump sums	21	1773			1773	1769
Disability periodic payments	22	8	1		9	6
Surrender or partial surrender	23	10			10	
Annuity payments	24		32592		32592	
Lump sums on maturity	25	1795			1795	
Total	26	3585	32592		36178	1775

Reinsurance - intra-group

Death or disability lump sums	31	815			815	161
Disability periodic payments	32					
Surrender or partial surrender	33	242	134		376	691
Annuity payments	34		165704		165704	201802
Lump sums on maturity	35	171			171	139
Total	36	1229	165838		167066	202792

Net of reinsurance

Death or disability lump sums	41	62881	22941		85822	76670
Disability periodic payments	42	319	(1)		319	91
Surrender or partial surrender	43	85287	231951		317238	272745
Annuity payments	44	3001	56578		59579	51778
Lump sums on maturity	45	154715	50896		205611	187550
Total	46	306204	362365		668569	588835

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 2012**
 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	51287	14940		66227	65084
Disability periodic payments	12	16			16	26
Surrender or partial surrender	13	72553	148887		221440	209603
Annuity payments	14		4282		4282	4247
Lump sums on maturity	15	141568	28232		169800	169276
Total	16	265424	196341		461765	448236

Reinsurance - external

Death or disability lump sums	21	15			15	59
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	15			15	59

Reinsurance - intra-group

Death or disability lump sums	31	215			215	161
Disability periodic payments	32					
Surrender or partial surrender	33	17	134		151	691
Annuity payments	34					
Lump sums on maturity	35	171			171	139
Total	36	403	134		537	990

Net of reinsurance

Death or disability lump sums	41	51056	14940		65996	64864
Disability periodic payments	42	16			16	26
Surrender or partial surrender	43	72536	148754		221289	208912
Annuity payments	44		4282		4282	4247
Lump sums on maturity	45	141397	28232		169629	169138
Total	46	265006	196207		461213	447187

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 2012**
 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		7058		7058	5041
Disability periodic payments	12					
Surrender or partial surrender	13		73254		73254	63515
Annuity payments	14					
Lump sums on maturity	15		21804		21804	17274
Total	16		102116		102116	85830

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		7058		7058	5041
Disability periodic payments	42					
Surrender or partial surrender	43		73254		73254	63515
Annuity payments	44					
Lump sums on maturity	45		21804		21804	17274
Total	46		102116		102116	85830

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 2012**
 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	4882	221		5103	
Disability periodic payments	12					
Surrender or partial surrender	13	5248	9050		14298	
Annuity payments	14		3224		3224	
Lump sums on maturity	15	12006			12006	
Total	16	22136	12496		34632	

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	1795			1795	
Total	26	1795			1795	

Reinsurance - intra-group

Death or disability lump sums	31	600			600	
Disability periodic payments	32					
Surrender or partial surrender	33	226			226	
Annuity payments	34					
Lump sums on maturity	35					
Total	36	825			825	

Net of reinsurance

Death or disability lump sums	41	4282	221		4504	
Disability periodic payments	42					
Surrender or partial surrender	43	5022	9050		14072	
Annuity payments	44		3224		3224	
Lump sums on maturity	45	10212			10212	
Total	46	19516	12496		32012	

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2012**
 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	4507		4507	7899
Disability periodic payments	12	2		2	71
Surrender or partial surrender	13	160		160	317
Annuity payments	14	969		969	2005
Lump sums on maturity	15	585		585	1098
Total	16	6224		6224	11390

Reinsurance - external

Death or disability lump sums	21	822		822	1710
Disability periodic payments	22	2		2	6
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26	824		824	1716

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	3686		3686	6189
Disability periodic payments	42	0		0	65
Surrender or partial surrender	43	160		160	317
Annuity payments	44	969		969	2005
Lump sums on maturity	45	585		585	1098
Total	46	5400		5400	9675

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 2012**
 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	4793	722		5514	576
Disability periodic payments	12	309			309	
Surrender or partial surrender	13	7579	893		8472	0
Annuity payments	14	2032	247367		249399	247328
Lump sums on maturity	15	2521	861		3381	41
Total	16	17234	249843		267076	247945

Reinsurance - external

Death or disability lump sums	21	936			936	
Disability periodic payments	22	6	1		7	
Surrender or partial surrender	23	10			10	
Annuity payments	24		32592		32592	
Lump sums on maturity	25					
Total	26	952	32592		33544	

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		0		0	
Annuity payments	34		165704		165704	201802
Lump sums on maturity	35					
Total	36		165704		165704	201802

Net of reinsurance

Death or disability lump sums	41	3857	722		4579	576
Disability periodic payments	42	303	(1)		302	
Surrender or partial surrender	43	7569	893		8462	0
Annuity payments	44	2032	49072		51104	45526
Lump sums on maturity	45	2521	861		3381	41
Total	46	16282	51547		67828	46143

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 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		579	579	664
Management - acquisition	13				
Management - maintenance	14	27491	57837	85328	125456
Management - other	15	1601	1938	3539	380
Total	16	29092	60354	89446	126499

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		579	579	664
Management - acquisition	43				
Management - maintenance	44	27491	57837	85328	125456
Management - other	45	1601	1938	3539	380
Total	46	29092	60354	89446	126499

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 2012**
 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	19636	44563	64199	107622
Management - other	15	1509	381	1890	346
Total	16	21145	44944	66088	107968

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	19636	44563	64199	107622
Management - other	45	1509	381	1890	346
Total	46	21145	44944	66088	107968

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 2012**
 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		72	72	99
Management - acquisition	13				
Management - maintenance	14		3213	3213	4541
Management - other	15		15	15	34
Total	16		3300	3300	4675

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		72	72	99
Management - acquisition	43				
Management - maintenance	44		3213	3213	4541
Management - other	45		15	15	34
Total	46		3300	3300	4675

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 2012**
 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	493	1122	1615	
Management - other	15	22	51	73	
Total	16	515	1173	1688	

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	493	1122	1615	
Management - other	45	22	51	73	
Total	46	515	1173	1688	

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2012**
 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	2262		2262	4596
Management - other	15	6		6	
Total	16	2268		2268	4596

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	2262		2262	4596
Management - other	45	6		6	
Total	46	2268		2268	4596

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 2012**
 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		507	507	564
Management - acquisition	13				
Management - maintenance	14	5101	8939	14040	8696
Management - other	15	63	1491	1554	
Total	16	5164	10938	16102	9261

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		507	507	564
Management - acquisition	43				
Management - maintenance	44	5101	8939	14040	8696
Management - other	45	63	1491	1554	
Total	46	5164	10938	16102	9261

Long-term insurance business : Linked funds balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	3344	
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	309569	
Total assets (excluding cross investment) (11+12+13)	14	312913	
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	67	
Total net assets (14-15-16-17)	18	312846	

Directly held linked assets

Value of directly held linked assets	21	103	97
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Total

Value of directly held linked assets and units held (18+21)	31	312948	97
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	312948	97

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	1472	
Investment income attributable to the funds before deduction of tax	12	5676	
Increase (decrease) in the value of investments in the financial year	13	14454	
Other income	14		
Total income	19	21602	

Expenditure

Value of total cancellation of units	21	11721	
Charges for management	22	1281	
Charges in respect of tax on investment income	23	476	
Taxation on realised capital gains	24	12	
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	41	
Other expenditure	26		
Total expenditure	29	13532	

Increase (decrease) in funds in financial year (19-29)	39	8070	
Internal linked fund brought forward	49	304776	
Internal linked funds carried forward (39+49)	59	312846	

Long-term insurance business : Summary of new business

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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**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	57	147		203	67
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	57	147		203	67

**Amount of new single
premiums**

Direct insurance business	25	251	245		496	588
External reinsurance	26					
Intra-group reinsurance	27		47153		47153	7749
Total	28	251	47398		47649	8337

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 2012**
 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	4189	35544	862	2.43	
Approved fixed interest securities	12	707237	667857	26238	2.74	
Other fixed interest securities	13	1301171	1293555	34229	5.10	
Variable interest securities	14	276979	276979	6821	2.83	
UK listed equity shares	15	2938	13194	296	5.20	
Non-UK listed equity shares	16	0	20253	9	5.32	
Unlisted equity shares	17	94549	90232	19	0.10	
Other assets	18	1085594	1075043	7669	0.72	
Total	19	3472658	3472658	76144	2.95	

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

Land and buildings	21	27307	451158	16140	3.58	(8.03)
Approved fixed interest securities	22	3186967	3236840	118664	2.21	3.40
Other fixed interest securities	23	1689756	2334728	90005	3.56	13.99
Variable interest securities	24	1947814	1816272	47051	4.47	14.62
UK listed equity shares	25		522135	2895	4.84	13.01
Non-UK listed equity shares	26	0	664060	349	3.74	13.16
Unlisted equity shares	27	603438	454368	2629	0.56	18.38
Other assets	28	6154777	4130498	5101	1.83	(0.36)
Total	29	13610060	13610060	282833	2.79	6.54

Overall return on with-profits assets

Post investment costs but pre-tax	31					6.39
Return allocated to non taxable 'asset shares'	32					7.53
Return allocated to taxable 'asset shares'	33					5.56

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **0:100 Non Profit Fund**
 Financial year ended **31 December 2012**
 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	610704	610704	24148	2.68	
Other fixed interest securities	13	1258469	1258469	32853	5.17	
Variable interest securities	14	276979	276979	6821	2.83	
UK listed equity shares	15	2938	3103	246	7.93	
Non-UK listed equity shares	16					
Unlisted equity shares	17	86816	86816			
Other assets	18	1068916	1068752	7666	0.72	
Total	19	3304822	3304822	71734	2.94	

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 **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2012**
 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	4189	35544	862	2.43	
Approved fixed interest securities	12	96533	57153	2090	3.44	
Other fixed interest securities	13	42703	35086	1376	2.51	
Variable interest securities	14					
UK listed equity shares	15		10091	50	4.36	
Non-UK listed equity shares	16	0	20253	9	5.32	
Unlisted equity shares	17	7733	3416	19	2.75	
Other assets	18	16677	6292	3	0.50	
Total	19	167836	167836	4410	3.19	

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

Land and buildings	21	27307	417235	15503	3.72	(8.35)
Approved fixed interest securities	22	1938590	1984409	72581	2.11	3.45
Other fixed interest securities	23	1264056	1784131	69946	3.70	15.61
Variable interest securities	24	1667644	1580863	41501	4.71	15.61
UK listed equity shares	25		506573	2498	4.95	13.17
Non-UK listed equity shares	26	0	662547	308	3.74	13.17
Unlisted equity shares	27	601960	452890	2573	0.55	18.44
Other assets	28	5248299	3359207	1622	2.10	(0.57)
Total	29	10747857	10747857	206531	2.98	7.23

Overall return on with-profits assets

Post investment costs but pre-tax	31					6.97
Return allocated to non taxable 'asset shares'	32					8.43
Return allocated to taxable 'asset shares'	33					7.04

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **100:0 SERP Fund**
 Financial year ended **31 December 2012**
 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		8284	307	3.71	(10.10)
Approved fixed interest securities	22	802588	802588	29258	2.76	4.52
Other fixed interest securities	23	268549	281996	12194	3.80	9.61
Variable interest securities	24	47600	26177	820	3.56	9.61
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	519793	519484	2277	0.44	0.71
Total	29	1638530	1638530	44856	2.22	4.20

Overall return on with-profits assets

Post investment costs but pre-tax	31					7.35
Return allocated to non taxable 'asset shares'	32					7.21
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 **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2012**
 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		25639	330	1.29	(2.16)
Approved fixed interest securities	22	445788	449842	16825	1.67	1.17
Other fixed interest securities	23	157150	268601	7865	2.37	7.81
Variable interest securities	24	232571	209232	4730	2.74	7.81
UK listed equity shares	25		15562	397	1.28	7.61
Non-UK listed equity shares	26	0	1512	41	1.28	7.61
Unlisted equity shares	27	1478	1478	56	3.78	(1.49)
Other assets	28	386685	251807	1202	1.12	0.22
Total	29	1223672	1223672	31446	1.88	3.58

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.25
Return allocated to non taxable 'asset shares'	32					2.54
Return allocated to taxable 'asset shares'	33					1.79

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 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3119697	9.71	2.16	2.16

Other approved fixed interest securities	21	785000	10.96	2.86	2.82
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Other fixed interest securities

AAA/Aaa	31	321272	7.84	2.83	2.46
AA/Aa	32	325931	7.08	3.32	2.87
A/A	33	1159760	6.08	3.29	2.77
BBB/Baa	34	873297	4.75	3.66	2.73
BB/Ba	35	124520	2.19	4.92	2.15
B/B	36	79400	1.84	6.00	1.10
CCC/Caa	37	24911	1.82	10.18	
Other (including unrated)	38	719193	1.28	6.32	4.34
Total other fixed interest securities	39	3628283	4.80	4.11	2.98

Approved variable interest securities	41	788193	11.51	2.64	2.64
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Other variable interest securities	51	1305058	3.25	5.23	2.73
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Total (11+21+39+41+51)	61	9626230	7.23	3.41	2.64
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **0:100 Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	180557	13.27	2.34	2.34
Other approved fixed interest securities	21	430146	10.81	2.82	2.81
Other fixed interest securities					
AAA/Aaa	31	83371	10.31	3.61	2.62
AA/Aa	32	63283	8.94	2.74	2.38
A/A	33	242932	9.93	3.70	3.15
BBB/Baa	34	134288	7.56	3.71	2.75
BB/Ba	35	3330			
B/B	36	14359	3.23	6.29	0.63
CCC/Caa	37				
Other (including unrated)	38	716905	1.26	6.34	4.35
Total other fixed interest securities	39	1258469	4.61	5.17	3.68
Approved variable interest securities	41	164320	15.44	2.37	2.37
Other variable interest securities	51	112659	3.36	3.51	2.99
Total (11+21+39+41+51)	61	2146151	7.35	4.16	3.26

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1940011	8.05	2.13	2.13
Other approved fixed interest securities	21	101551	8.33	2.55	2.46
Other fixed interest securities					
AAA/Aaa	31	144896	4.63	2.44	2.34
AA/Aa	32	161812	5.59	3.68	3.26
A/A	33	656259	3.83	3.20	2.68
BBB/Baa	34	643174	3.66	3.71	2.75
BB/Ba	35	120907	2.24	5.06	2.21
B/B	36	65041	1.53	5.94	1.21
CCC/Caa	37	24911	1.82	10.18	
Other (including unrated)	38	2216	6.15	2.62	
Total other fixed interest securities	39	1819217	3.78	3.68	2.61
Approved variable interest securities	41	620967	10.47	2.72	2.72
Other variable interest securities	51	959896	3.06	6.00	2.79
Total (11+21+39+41+51)	61	5441643	6.02	3.41	2.48

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **100:0 SERP Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	584697	14.76	2.64	2.64
Other approved fixed interest securities	21	217891	12.79	3.10	3.03
Other fixed interest securities					
AAA/Aaa	31	73659	12.46	3.14	2.85
AA/Aa	32	38866	12.58	3.62	3.19
A/A	33	128750	11.50	4.01	3.36
BBB/Baa	34	40439	12.73	4.50	3.49
BB/Ba	35	282	4.14	3.49	0.98
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	281996	12.07	3.80	3.22
Approved variable interest securities	41	2585	11.15	2.13	2.13
Other variable interest securities	51	23592	14.77	3.72	3.43
Total (11+21+39+41+51)	61	1110762	13.68	3.04	2.88

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	414432	8.82	1.58	1.58

Other approved fixed interest securities	21	35410	8.94	2.72	2.62
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Other fixed interest securities

AAA/Aaa	31	19345	3.58	1.31	1.26
AA/Aa	32	61969	5.63	2.77	2.19
A/A	33	131819	4.87	2.30	1.93
BBB/Baa	34	55396	4.74	2.43	1.85
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	72	3.17		
Total other fixed interest securities	39	268601	4.92	2.37	1.93

Approved variable interest securities	41	321	11.15	(0.58)	
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Other variable interest securities	51	208911	2.79	2.74	2.21
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Total (11+21+39+41+51)	61	927674	6.34	2.11	1.86
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11	1020467	3501341		4521808	3947605
Form 51 - non-profit	12	98946	3858527		3957473	3766847
Form 52	13	541187	2879220		3420407	3530867
Form 53 - linked	14	26995	303769		330764	6380
Form 53 - non-linked	15	395	34434		34829	34491
Form 54 - linked	16	1570	100480		102050	63083
Form 54 - non-linked	17	1	745		746	470
Total	18	1689561	10678517		12368078	11349743

Reinsurance - external

Form 51 - with-profits	21	8951			8951	
Form 51 - non-profit	22	(4838)	1147931		1143094	(4823)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1472	11795		13266	1490
Form 54 - non-linked	27					
Total	28	5584	1159726		1165310	(3333)

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		1742023		1742023	2446274
Form 52	33					
Form 53 - linked	34	17816			17816	6283
Form 53 - non-linked	35	227			227	250
Form 54 - linked	36		81700		81700	61454
Form 54 - non-linked	37					
Total	38	18043	1823723		1841765	2514260

Net of reinsurance

Form 51 - with-profits	41	1011516	3501341		4512858	3947605
Form 51 - non-profit	42	103784	968573		1072357	1325395
Form 52	43	541187	2879220		3420407	3530867
Form 53 - linked	44	9179	303769		312948	97
Form 53 - non-linked	45	168	34434		34602	34241
Form 54 - linked	46	99	6985		7084	140
Form 54 - non-linked	47	1	745		746	470
Total	48	1665934	7695069		9361003	8838815

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 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11	764398	1605814		2370213	2532487
Form 51 - non-profit	12	24122	107653		131775	141132
Form 52	13	535374	2871166		3406540	3530867
Form 53 - linked	14	6401			6401	6380
Form 53 - non-linked	15	226	29579		29805	34491
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1330522	4614213		5944735	6245357

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	6299			6299	6283
Form 53 - non-linked	35	220			220	250
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	6518			6518	6533

Net of reinsurance

Form 51 - with-profits	41	764398	1605814		2370213	2532487
Form 51 - non-profit	42	24122	107653		131775	141132
Form 52	43	535374	2871166		3406540	3530867
Form 53 - linked	44	103			103	97
Form 53 - non-linked	45	6	29579		29585	34241
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1324003	4614213		5938216	6238824

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 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11		1378217		1378217	1415118
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		1378217		1378217	1415118

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		1378217		1378217	1415118
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		1378217		1378217	1415118

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 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11	256069	517310		773379	
Form 51 - non-profit	12		4492		4492	
Form 52	13	5813	8054		13867	
Form 53 - linked	14					
Form 53 - non-linked	15	7	4163		4171	
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	261889	534020		795909	

Reinsurance - external

Form 51 - with-profits	21	8951			8951	
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	8951			8951	

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	7			7	
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	7			7	

Net of reinsurance

Form 51 - with-profits	41	247118	517310		764428	
Form 51 - non-profit	42		4492		4492	
Form 52	43	5813	8054		13867	
Form 53 - linked	44					
Form 53 - non-linked	45		4163		4163	
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	252931	534020		786951	

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2012**
 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				58896
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				1490
Form 54 - non-linked	17				
Total	18				60386

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				(4823)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				1490
Form 54 - non-linked	27				
Total	28				(3333)

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				63719
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48				63719

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 2012**
 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	74824	3746382	3821205	3566819
Form 52	13				
Form 53 - linked	14	20593	303769	324363	
Form 53 - non-linked	15	162	691	853	
Form 54 - linked	16	1570	100480	102050	61593
Form 54 - non-linked	17	1	745	746	470
Total	18	97151	4152067	4249218	3628882

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(4838)	1147931	1143094	
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1472	11795	13266	
Form 54 - non-linked	27				
Total	28	(3366)	1159726	1156360	

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		1742023	1742023	2446274
Form 52	33				
Form 53 - linked	34	11517		11517	
Form 53 - non-linked	35				
Form 54 - linked	36		81700	81700	61454
Form 54 - non-linked	37				
Total	38	11517	1823723	1835240	2507727

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	79661	856428	936089	1120545
Form 52	43				
Form 53 - linked	44	9076	303769	312846	
Form 53 - non-linked	45	162	691	853	
Form 54 - linked	46	99	6985	7084	140
Form 54 - non-linked	47	1	745	746	470
Total	48	89000	1168619	1257619	1121154

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 2012**

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	21162	94974	3750				49770
105	Conventional whole life with-profits IB	414665	151697	783				116598
120	Conventional endowment with-profits OB savings	18391	116816	3582				97210
125	Conventional endowment with-profits OB target cash	23663	339055	10492				432654
130	Conventional endowment with-profits IB	3686	7410	323				7267
155	Conventional pensions endowment with-profits	1375	33321	280				31506
165	Conventional deferred annuity with-profits	1	3	0				43
205	Miscellaneous conventional with-profits	149	5750	101				3755
210	Additional reserves with-profits OB							10606
215	Additional reserves with-profits IB							14988
300	Regular premium non-profit WL/EA OB	3733	9967					8174
310	Non-profit IB	541625	15693	0				15678
390	Deferred annuity non-profit	1	1					14
435	Miscellaneous non-profit	73	1583	12				257

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

PHOENIX LIFE ASSURANCE LIMITED

Total business / subfund 0:100 Non Profit Fund

Financial year ended 31 December 2012

Units £000

UK Life / Reinsurance ceded intra-group

Product code number	1	2	Product description	3	Number of policyholders / scheme members	4	Amount of benefit	5	Amount of annual office premiums	6	Nominal value of units	7	Discounted value of units	8	Other liabilities	9	Amount of mathematical reserves
700		Life property linked single premium			10953					10953	10953						10953
710		Life property linked whole life regular premium			564			77		564	564						564

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 2012**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100/120/125/300/435	460192	2.50	2.53	3.31
UKL WP code 105/130/215/310	154531	4.00	4.00	4.72
UKL WP code 125/515	154205	1.80	1.84	2.70
UKL WP code 155/300/390	18499	2.40	2.40	3.08
UKL WP code 155/300	13280	2.30	2.43	3.13
UKL WP code 500	102026	1.50	1.53	2.32
UKL WP code 506	131206	1.70	1.70	5.51
UKL WP code 500/505/515/575	292398	1.10	1.13	1.94
UKP WP code 155	684515	2.30	2.30	2.97
UKP WP code 155/165/210	860920	1.90	1.90	2.56
UKP WP code 200	62930	3.20	3.20	3.90
UKP WP code 525	337233	1.70	1.82	2.52
UKP WP code 535	61654	2.00	2.00	2.67
UKP WP code 525	1936860	1.50	1.50	2.73
UKP WP code 525	528885	2.56	2.56	2.72
UKP WP code 525	9360	0.00	0.00	0.26
UKP NP code 300/390	39412	2.30	2.30	2.94
UKP NP code 300/390	68241	1.90	1.90	2.56
Misc	29585	n/a	n/a	n/a
Total	5945931			

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 2012**
 Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Pension With Profit	1372691	2.83	2.83	2.98
Misc	5526	n/a	n/a	n/a
Total	1378217			

Long-term insurance business: Analysis of valuation interest rateName of insurer **PHOENIX LIFE ASSURANCE LIMITED**Subfund **100:0 London Life With-Profits Fund**Financial year ended **31 December 2012**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100 / 120	132078	1.38	1.72	2.07
UKL WP code 100 / 120	54630	1.84	2.30	2.66
UKL WP code 100 / 120	55154	2.26	2.83	3.20
UKL WP code 120 / 165	2886	1.85	2.27	2.62
UKL WP code 505	5813	1.76	2.16	2.51
UKL WP code 120	556	2.77	3.46	3.74
UKL WP code 120 / 165	1969	2.69	3.30	3.56
UKP WP code 155	172651	0.89	0.89	1.18
UKP WP code 165	11527	2.58	2.58	2.92
UKP WP code 200	475	2.25	2.25	2.58
UKP WP code 200	74265	2.42	2.42	2.75
UKP WP code 155 / 165 / 175 / 200 / 205	83038	1.69	1.69	2.00
UKP WP code 155 / 185	66785	2.47	2.47	2.81
UKP WP code 525	8189	1.76	1.76	2.08
UKP WP code 725	4163	2.00	2.00	2.32
UKP WP code 155	25714	1.76	1.76	2.08
UKP WP code 155	50654	2.00	2.00	2.32
UKP WP code 155 / 165 / 205	32698	2.42	2.42	2.75
UKP NP code 400 / 435	4492	1.69	1.69	2.00
Total	787736			

Long-term insurance business: Analysis of valuation interest rateName of insurer **PHOENIX LIFE ASSURANCE LIMITED**Subfund **0:100 Non Profit Fund**Financial year ended **31 December 2012**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP NP code 390	2985	2.15	2.15	2.21
UKP NP code 390	18458	2.51	2.51	2.57
UKP NP code 400	794151	2.95	2.95	3.03
UKP NP code 400	17824	0.40	0.40	0.41
UKP NP code 300/325/330/410	1603	2.45	2.45	2.51
UKP NP code 325/390/435	8099	2.83	2.83	2.90
UKP NP code 435	4798	2.90	2.90	2.97
UKP NP code 440	8510	2.64	2.64	2.71
UKP NP code 905	745	2.57	2.57	2.64
UKP NP code 300	72860	2.24	2.24	2.30
Miscellaneous	7656	n/a	n/a	n/a
Total	937689			

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	9509394	9216150
Bonus payments in anticipation of a surplus	12	114828	97163
Transfer to non-technical account	13	97927	69143
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9722149	9382456
Mathematical reserves	21	9361003	8838815
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	361146	543641

Composition of surplus

Balance brought forward	31	367165	330954
Transfer from non-technical account	32	49333	
Transfer from other funds / parts of fund	33	(137273)	
Surplus arising since the last valuation	34	81921	212687
Total	39	361146	543641

Distribution of surplus

Bonus paid in anticipation of a surplus	41	114828	97163
Cash bonuses	42	84	
Reversionary bonuses	43	8518	10170
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	123430	107333
Net transfer out of fund / part of fund	47	97927	69143
Total distributed surplus (46+47)	48	221357	176476
Surplus carried forward	49	139789	367165
Total (48+49)	59	361146	543641

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 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	6053455	6356415
Bonus payments in anticipation of a surplus	12	114347	97142
Transfer to non-technical account	13	12992	11344
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6180793	6464901
Mathematical reserves	21	5938216	6238824
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	242577	226077

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	135156	118656
Total	39	242577	226077

Distribution of surplus

Bonus paid in anticipation of a surplus	41	114347	97142
Cash bonuses	42		
Reversionary bonuses	43	7817	10170
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	122164	107312
Net transfer out of fund / part of fund	47	12992	11344
Total distributed surplus (46+47)	48	135156	118656
Surplus carried forward	49	107421	107421
Total (48+49)	59	242577	226077

Percentage of distributed surplus allocated to policyholders

Current year	61	90.39	90.44
Current year - 1	62	90.44	90.62
Current year - 2	63	90.62	90.70
Current year - 3	64	90.70	90.61

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 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1383177	1425048
Bonus payments in anticipation of a surplus	12	10	21
Transfer to non-technical account	13		22000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1383187	1447069
Mathematical reserves	21	1378217	1415118
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	4971	31950

Composition of surplus

Balance brought forward	31	9929	6222
Transfer from non-technical account	32	27500	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(32458)	25728
Total	39	4971	31950

Distribution of surplus

Bonus paid in anticipation of a surplus	41	10	21
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	10	21
Net transfer out of fund / part of fund	47		22000
Total distributed surplus (46+47)	48	10	22021
Surplus carried forward	49	4961	9929
Total (48+49)	59	4971	31950

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	0.09
Current year - 1	62	0.09	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 **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	792736	
Bonus payments in anticipation of a surplus	12	471	
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	793207	
Mathematical reserves	21	786951	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6255	

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32	21833	
Transfer from other funds / parts of fund	33	25000	
Surplus arising since the last valuation	34	(40578)	
Total	39	6255	

Distribution of surplus

Bonus paid in anticipation of a surplus	41	471	
Cash bonuses	42	84	
Reversionary bonuses	43	701	
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	1255	
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	1255	
Surplus carried forward	49	5000	
Total (48+49)	59	6255	

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	
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 **0:100 BLAGAB**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11		303533
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14	250656	
Subtotal (11 to 14)	15	250656	303533
Mathematical reserves	21		63719
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	250656	239815

Composition of surplus

Balance brought forward	31	239815	206993
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	10841	32822
Total	39	250656	239815

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	250656	
Total distributed surplus (46+47)	48	250656	
Surplus carried forward	49		239815
Total (48+49)	59	250656	239815

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 **0:100 Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1280026	1131154
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	84935	35799
Transfer to other funds / parts of funds	14	101792	
Subtotal (11 to 14)	15	1466753	1166953
Mathematical reserves	21	1257619	1121154
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	209134	45799

Composition of surplus

Balance brought forward	31	10000	10318
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33	190175	
Surplus arising since the last valuation	34	8960	35481
Total	39	209134	45799

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	186727	35799
Total distributed surplus (46+47)	48	186727	35799
Surplus carried forward	49	22407	10000
Total (48+49)	59	209134	45799

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 2013**

1	2	3	4	5	6	7	8
Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10453	2109	n/a	CWP	N	10453
Endowment assurance	20	16971	3117	n/a	CWP	N	16971
Endowment assurance	25	29240	6503	n/a	CWP	N	29240
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	51421	10073	n/a	UWP	N	51421
Regular premium pension	20	75073	21272	n/a	UWP	N	75073
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	16697	2999	n/a	UWP	N	16697
Single premium pension	20	22565	5626	n/a	UWP	N	22565

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

Name of insurer
 Original insurer
 Date of surrender value

**PHOENIX LIFE ASSURANCE LIMITED
 PEARL ASSURANCE PUBLIC LIMITED COMPANY**

01 March 2013

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10138	0	n/a	CWP	n/a	17879
Endowment assurance	20	17966	1312	n/a	CWP	n/a	21664
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
Original insurer

PHOENIX LIFE ASSURANCE LIMITED
LONDON LIFE LIMITED

Date of maturity value / open market option 01 March 2013

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	5003	146	0	CWP	No	5003
Endowment assurance	15	8856	279	0	CWP	No	8856
Endowment assurance	20	14311	450	0	CWP	No	14311
Endowment assurance	25	22589	711	0	CWP	No	22589
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	29736	2355	0	UWP	No	29736
Regular premium pension	15	46989	2984	0	UWP	No	46989
Regular premium pension	20	72075	10311	0	CWP	No	72075
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	16998	3901	0	UWP	No	16998
Single premium pension	15	15701	122	0	UWP	No	15701
Single premium pension	20	24562	4429	0	CWP	No	24562

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

Name of insurer
 Original insurer
 Date of surrender value

PHOENIX LIFE ASSURANCE LIMITED
LONDON LIFE LIMITED
 01 March 2013

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	3160	0	0	CWP	No	12993
Endowment assurance	15	6883	0	0	CWP	No	14818
Endowment assurance	20	14794	96	0	CWP	No	17431
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	15031	2916	0	UWP	Yes	15031
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	15313	3243	0	UWP	Yes	15313

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

Name of insurer
Original insurer

PHOENIX LIFE ASSURANCE LIMITED

AMP UK

Date of maturity value / open market option 01 March 2013

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	16194	0	0	CWP	No	16194
Endowment assurance	25	26320	0	0	CWP	No	26320
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	69290	0	0	CWP	No	69290
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	29817	0	0	CWP	No	29817

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

Name of insurer
 Original insurer
 Date of surrender value

PHOENIX LIFE ASSURANCE LIMITED
 AMP UK
 01 March 2013

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	14850	0	n/a	CWP	n/a	20766
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 2012**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%	87396			87
Classes I (other), II and IX	13	0.15%			1.00	
Classes I (other), II and IX	14	0.3%	4071591	4139455		12157
Classes III, VII and VIII	15	0.3%	840		0.50	1
Total	16		4159827	4139455		12246
						12491
						2
						12494

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					124	87
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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%	11989902	9046341	0.85	101914	95960
Classes III, VII and VIII (investment risk)	33	1%	64118	20080	0.85	545	531
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	24026	21143	0.88	211	1
Classes III, VII and VIII (other)	35	25%				177	42
Class IV (other)	36	1%	3680	1807	0.85	31	11
Class V	37	1%					
Class VI	38	1%					
Total	39					102879	96546

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	11989902	9046341	0.85	305743	287880
Classes III, VII and VIII (investment risk)	43	3%	64118	20080	0.85	1635	1594
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	24026	21143			
Classes III, VII and VIII (other)	45	0%	294954	280234			
Class IV (other)	46	3%	3680	1807	0.85	94	34
Class V	47	0%					
Class VI	48	3%					
Total	49		12376680	9369605		307471	289509

Long term insurance capital requirement	51					422720	398635
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Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2012

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 financial assistance or support to the Company's With-Profits ("WP") funds. At 31 December 2012, the SHF provided support of £214m (2011: £179m) to the SERP Fund and £145m (2011: £nil) to the London Life With-Profits Fund ("LL WP Fund"). An additional amount of £104m (2011: £nil) was also transferred to LL WP Fund from the NPF.

***0001* Global business statements 9.25, 9.26, 9.27, 9.32 & 9.32A**

Statements 9.25, 9.26, 9.27, 9.32 & 9.32A have been omitted following the transfer with effect from 31 March 2012, of the general insurance business to BA (GI) Limited 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 22 March 2012.

***0101* Modification to the Return in respect of general insurance business**

The Financial Services Authority, on the application of the firm, made a direction in October 2012 under section 148 of the Act. The effect of the direction is to exclude Forms 26 to 29, 31, 32 and 34 from the firm's returns.

***0112* Omission of entries in column 1**

As per note 0001, the Company transferred out all of its general insurance business on 31 March 2012.

***0103* Company change of name**

On 28 September 2012, the Company changed its name to Phoenix Life Assurance Limited from Pearl Assurance Limited.

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

- (a) 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.
- (b) 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 2003 and amended in May and November 2004. The effect of the direction (as varied) is to enable the firm to apply a business amount of 5% to investments in collateralised debt obligations, in aggregate. £nil (2011: £nil) in line 43 of Form 13 relates to the firm's investments in those assets.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.1 (continued)

0301	Reconciliation of net admissible assets to total capital resources after deductions		
		2012	2011
		£'000	£'000
	Form 13 line 89 (total other than long term insurance business assets)	622,138	550,703
	Form 13 line 89 (total long term insurance business assets)	17,402,749	17,984,423
	Less Form 14 line 71	(16,083,688)	(16,603,482)
	Less Form 15 line 69	<u>(271,041)</u>	<u>(442,708)</u>
	Net admissible assets	1,670,158	1,488,936
	Subordinated debt – Form 3 line 52	250,000	250,000
	Capital resources requirement of regulated related undertakings	132,489	181,510
	Roundings	1	-
	Form 3 line 79 – Total capital resources	<u><u>2,052,648</u></u>	<u><u>1,920,445</u></u>

***0307* Financial reinsurance accepted**

The insurer had entered into a Surplus Relief Reassurance Arrangement with London Life Limited. Under this arrangement the insurer agreed to accept risk in respect of all long-term business other than business of the "Life With-Profit Fund" of London Life Limited. This arrangement was terminated immediately prior to the Part VII on 1 July 2012.

The entry on Form 3 line 93 represented a contingent premium due from London Life Limited which equals the liability of £nil (2011: £22,000) included in Form 51.

***0310* Valuation differences shown in Form 3 Line 14**

		2012	2011
		£'000	£'000
	Positive valuation differences in respect of liabilities		
	Actuarial valuation differences		
	- 90:10 – IFRS to Peak 1	993,401	846,835
		<u>993,401</u>	<u>846,835</u>
	Negative valuation differences in respect of liabilities		
	Provision for "reasonably foreseeable adverse variations"	(11,192)	(5,800)
	Actuarial valuation differences between Peak 1 and IFRS		
	- 100:0 SERP	(131,933)	(92,021)
	- 100:0 London Life With-Profits	(71,941)	-
	- 0:100 BLAGAB	-	(277)
	- 0:100 Non Profit Fund	(7,870)	(21,670)
	- 0:100 BLAGAB – Deferred tax	-	4,655
	- 0:100 Annuity – Deferred tax	-	4,889
		<u>(222,936)</u>	<u>(110,224)</u>
	Net valuation difference	<u><u>770,465</u></u>	<u><u>736,611</u></u>

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.1 (continued)

0313	Reconciliation of profit and loss account and other reserves		
			2012
			£'000
	Profit and loss account and other reserves - Form 3 line 12 column 3	782,994	
	Profit and loss account and other reserves - Form 3 line 12 column 4	627,884	
	Movement	<u>155,110</u>	
	Profit/(loss) retained for the financial year - Form 16 line 59	146,677	
	Capital contribution	116,088	
	IFRS profit arising in the year within the long term funds	(190,069)	
	Transfer of restricted assets from London Life Limited	36,424	
	Movement in deferred tax in other than long term fund	(1,571)	
	Movement in provision for "reasonably foreseeable adverse variations"	123	
	Valuation of subsidiary undertakings	(1,895)	
	Capital support provided to 0:100 SERP	27,500	
	Capital support provided to 0:100 London Life With-Profits	<u>21,833</u>	
		<u>155,110</u>	

***1100* & *1200 Omission of entries in column 1 – general insurance business**

No figures have been included in column 1 as all non-life business has been transferred out to BA (GI) Limited and the Company did not have an authorisation for non-life business as at 31 December 2012. See note 0001 for further details of the transfer.

***1102* & *1202 Restatement of comparatives**

The figures included in column 2 have been restated from the previous years return due to the inclusion of LLL following the Part VII transfer, see note 4004 for further details. The brought forward figures in column 1 have been amended to include LLL.

***1301* Unlisted and listed investments**

		2012	2011
		£'000	£'000
	Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	<u>32,513</u>	<u>17,794</u>

The above amounts in respect of listed 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.

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Appendix 9.1 (continued)

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.

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 2012, there were no breaches (2011: £nil).

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.

1308 Unlisted and listed investments

	2012 £'000	2011 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	744,727	713,937
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	98,510	90,429
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	686,274	792,561
Total	<u>1,529,511</u>	<u>1,596,927</u>

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Appendix 9.1 (continued)

***1308* Unlisted and listed investments (continued)**

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 £609,512,000.

***1318* Other asset adjustments**

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

			Total	Reclassification of other creditors	Assets backing linked liabilities
			£'000	£'000	£'000
<u>2012</u>					
90:10	Pearl	With-	(15,263)	(15,263)	-
		Profits			
100:0	SERP		(868)	(868)	-
100:0	London	Life	(21,363)	(21,363)	-
		With-Profits			
0:100	Non Profit		(3,073)	(3,140)	67
		Total Long Term	<u>(40,567)</u>	<u>(40,634)</u>	<u>67</u>

The adjustment for the value of support funds has been reported in line 98 of Form 13, consistent with how the support is reported in Form 13 of the Other Than Long Term Fund.

			Total	Reclassification of other creditors	Value of support funds
			£'000	£'000	£'000
<u>2011</u>					
90:10	Pearl		(103)	(103)	-
		With-Profits			
0:100	SERP		(101,951)	-	(101,951)
0:100	BLAGAB		76	76	-
0:100	Non	Profit	(7,019)	(7,019)	-
		Total Long Term	<u>(108,997)</u>	<u>(7,046)</u>	<u>(101,951)</u>

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.1 (continued)

***1321* Settlement of inter fund balances**

At the valuation date, an internal inflation swap arrangement between the Non Annuity, Annuity and 90:10 Funds and the Shareholder Fund was deemed to have been closed out and a transfer of assets totalling £13 million (2011: £20 million) has been reflected on Line 44 with an equal and opposite entry in line 43.

<u>2012</u>	Total other than long term	Total long term	0:100 BLAGAB	0:100 Non Profit Fund	90:10 Pearl With- Profits
	£'000	£'000	£'000	£'000	£'000
Settlement of internal swap	12,679	(12,679)	(811)	(4,112)	(7,756)

<u>2011</u>	Total other than long term	Total long term	0:100 BLAGAB	0:100 Non Profit Fund	90:10 Pearl With- Profits
	£'000	£'000	£'000	£'000	£'000
Settlement of internal swap	19,984	(19,984)	(1,253)	(6,605)	(12,126)

***1322* Entity reconciliation to Statutory Accounts**

	2012 £'000	2011 £'000
Form 13 line 102 Total long term insurance business assets	20,195,975	20,461,114
Form 13 line 102 Total other than long term insurance business assets	1,369,268	1,038,711
Entity adjustments in statutory accounts	(6,220)	8,887
Total IFRS Assets	<u>21,559,023</u>	<u>21,508,712</u>

The entity adjustment in the statutory accounts is to gross-up the inter-fund and intercompany balances between debtors and creditors. It is not attributable to any specific fund.

***1323* Amendments to fund names**

The following changes to fund names within the long term fund were made during the year:

90:10	became	90:10 Pearl With-Profits Fund
100:0 SERP	became	100:0 SERP Fund
0:100 PENSIONS	became	0:100 Non Profit Fund

These changes will affect the following forms: 13, 14, 17-19, 40-43, 48-54, 57 and 58.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.1 (continued)

***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 (with a lock up period of greater than one year) 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. A provision is established for less liquid positions.
- 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.

A provision of £11.2m has been established which includes:

- £3.7m in respect of illiquid assets notably hedge funds and unlisted equities. The provision on these assets is calculated using Libor rate of 0.85% pa as at year end 2012, applied for 6 months to the value of hedge fund assets and 6 months to the value of private equity.
- £7.5m in relation to the insurer's stock lending activities where there is an identified difference in the maturity profile of the collateral liabilities and the reinvested collateral assets. The provision on this activity is based on the probability of not being able to renegotiate 10% of the collateral liabilities when they become due and is calculated as the cost of borrowing to cover the 10% shortfall at the Group's cost of borrowing rate, discounted at the risk-free rate.

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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 £1,936 million (2011: £2,525 million) (see table below). The value has reduced compared with 2011 following the cancellation of a reinsurance arrangement with the Non-Profit Fund as referred to in note 4009.

Assets which are subject to the charge	2012 £000	2011 £000
<u>Form 13</u>		
Line 22 – UK insurance dependants – debts and loans	65,000	65,000
Line 26 – Loans to non-insurance dependants	-	119,500
Line 41 – Equity shares	89,755	80,023
Line 43 – Holdings in collective investment schemes	544,481	743,083
Line 44 – Rights under derivative contracts	307,469	454,884
Line 45 – Approved fixed interest securities	188,838	339,422
Line 46 – Other fixed interest securities	924,938	1,054,338
Line 47 – Approved variable interest securities	50,996	95,432
Line 48 – Other variable interest securities	53,547	142,928
Line 58 – Assets held to match index linked liabilities	-	140
Line 78 – Other due in 12 months or less	4,373	-
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	6,862	6,296
Line 84 – Accrued interest and rent	13,766	19,404
<u>Less Form 14</u>		
Line 35 – Debenture loans – Unsecured	778	-
Line 38 – Creditors – Reinsurance ceded	-	4
Line 38 – Creditors – Other	312,908	595,388
Line 39 – Accruals and deferred income	21	-
Total	<u>1,936,318</u>	<u>2,525,058</u>

(b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £nil (2011: £nil).

(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.

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.1 (continued)

1402 Liabilities (continued)

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 £527m (2011: £586 million).

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 2006 provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £16m (2011: £17m).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £4 million (2011: £4 million).

Following consultation with the head of actuarial function, the directors are of the opinion that the provisions will not impact on the reasonable expectations of policyholders.

- (d) The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1405 Other liabilities adjustments

Included within line 74 of Form 14 for each subfund are:

	2012	2011
	£'000	£'000
Reclassification of other creditors	(40,634)	(7,046)
Provision for "reasonably foreseeable adverse variations"	(11,069)	(5,800)
Assets backing linked liabilities	67	-
0:100 Non Profit Fund – Deferred tax	-	9,543
Actuarial valuation differences between Peak 1 and IFRS	781,658	732,867
Total	<u>730,022</u>	<u>729,564</u>

1412 Entity Reconciliation to Statutory Accounts

	2012	2011
	£'000	£'000
Form 14 line 76 Total liabilities	(20,195,975)	(20,461,114)
Form 15 line 85 Total liabilities	(1,369,268)	(1,038,711)
Entity adjustments in statutory accounts	6,220	(8,887)
Total IFRS liabilities	<u>(21,559,023)</u>	<u>(21,508,712)</u>

The entity adjustment in the statutory accounts is to gross-up the inter-fund and intercompany balances between debtors and creditors. It is not attributable to any specific fund.

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.1 (continued)

1502 Liabilities

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains for the other than long term insurance business fund if the insurer disposed of its assets (2011: £nil).
- (c) There are no contingent liabilities
- (d) The insurer has no forward commitments in respect of group undertakings (2011: £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.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1504 Deficits in related undertakings

Included in 2011 was a deficit in the valuation of National Provident Life Holdings Limited of £87,951,000. In 2012 there is a positive valuation of £51,239,000 included in Form 13 line 21.

1507 Other liabilities adjustments

	2012 £'000	2011 £'000
Provision for reasonably foreseeable adverse variations	(123)	-
Reclassification of other creditors	(1,232)	-
Valuation of subsidiary undertakings	-	(87,951)
Form 15 line 83	<u>(1,355)</u>	<u>(87,951)</u>

1601 Basis of conversion of foreign currency

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

1603 Other income and charges

The total of other income and charges for 2012 is a charge of £7,553,000 (2011: £212,000), comprising:

	2012 £'000	2011 £'000
Professional fees	(1,617)	(538)
Commission received	157	203
Projects	(85)	-
Part VII costs - London Life Limited	(5,436)	-
Part VII costs - general insurance	(557)	-
(Increase)/Release of provision	(15)	123
Total other (charges)/income	<u>(7,553)</u>	<u>(212)</u>

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.1 (continued)

***1604* Extraordinary profit or loss**

The gain shown on Form 16 line 41 represents the gain on the transfer under the Part VII scheme of the majority of the shareholders' fund of London Life Limited ("LLL") as detailed in note 4004, and the loss on the transfer of the general insurance business to BA (GI) Limited, as detailed in note 0001.

	2012
	£'000
Profit on Part VII transfer of London Life in to the Company	241,793
(Loss) on Part VII transfer of general insurance business to BA (GI) Limited	(11,504)
	<u>230,289</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.

Gross Derivatives	Assets £'000	Liabilities £'000	Net £'000
Other than Long term fund	15,066	1,918	13,148
Long term Fund (excluding assets held to match linked liabilities)	1,267,873	996,816	271,057
Derivatives held to match linked liabilities	-	-	-
Total	<u>1,282,938</u>	<u>998,734</u>	<u>284,204</u>
"Net" Exposure by counterparty			
Exchange trade derivatives	139	-	139
Over the counter derivatives	653,697	369,632	284,065
	<u>653,836</u>	<u>369,632</u>	<u>284,204</u>
Variation Margin	Received	Pledged	
On Exchange trade derivatives	138	-	
On OTC derivatives	620,819	357,315	
Total	<u>620,957</u>	<u>357,315</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 is not deemed to transfer the risk and return of the assets to the insurer, and as such is not held on balance sheet, but shown for disclosure purposes only.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.1 (continued)

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

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

With respect of exchange traded derivatives, the insurer has a liability to repay "excess" variation margin received at the end of the financial year of £0.1m included within Form 13 Line 81.

On OTC derivatives, variation margin received in the form of cash amounting to £582m 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 £39m and is not reported as an asset in Form 13 or a liability in Form 14.

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Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.2

***20A00* Summary of business carried on**

This form has been omitted as there is nothing to report following the transfer of all general insurance business to BA (GI) Limited as detailed in note 0001.

***2100* Accident year premiums**

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

***2202* Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs.

***2204* Acquisition costs**

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

***2402* Underwriting year accounting**

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

***2404* Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs.

***2406* Acquisition costs**

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

***2501* Unearned premiums**

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

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Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.2 (continued)

***3000* Expected income and yield from admissible assets covering discounted provisions**

This form has been omitted as there is nothing to report following the transfer of all general insurance business BA (GI) Limited as detailed in note 0001.

***3700* & *3800* & *3900* Equalisation provisions**

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

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3

***4002* Other income and expenditure**

2012

The total of other income of £442,000 is made up of:

	Total	90:10 Pearl With- Profits	0:100 Non Profit Fund	0:100 BLAGAB
Commission received	766	523	161	82
Management charge	(712)	(666)	(46)	-
Transfer of management charge	388	-	388	-
	<u>442</u>	<u>(143)</u>	<u>503</u>	<u>82</u>

The total of other expenditure of £56,877,000 is made up of:

	Total	0:100 Non Profit Fund
Change in Deposits received from reinsurers ⁽¹⁾	<u>56,877</u>	<u>56,877</u>

⁽¹⁾ Other expenditure in line 25 of £57m represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

2011

The total of other income of £3,714,000 is made up of:

	Total	0:100 Non Annuity	0:100 Annuity	90:10
Commission received	576	107	-	469
Management charge	2,766	-	2,766	-
Transfer of management charge	372	-	372	-
	<u>3,714</u>	<u>107</u>	<u>3,138</u>	<u>469</u>

The total of other expenditure of £249,820,000 is made up of:

	Total	0:100 Non Annuity	0:100 Annuity	90:10
Change in Deposits received from reinsurers ⁽¹⁾	<u>249,820</u>	<u>-</u>	<u>249,820</u>	<u>-</u>

⁽¹⁾ Other expenditure in line 25 of £250m represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.3 (continued)

4004 Transfers of contracts

Business transfers in are split by fund as follows:

	2012 £'000	2011 £'000
<i>Business Transfers</i>		
100:0 London Life With-Profits	1,508	-
0:100 Non Profit Fund	593,334	239,366
<i>Long term fund transfers</i>		
100:0 London Life With-Profits	689,054	-
0:100 Non Profit Fund	407,377	-
Total	<u>1,691,273</u>	<u>239,366</u>

Business transfers out are split by fund as follows:

90:10 Pearl With-Profits	(182,516)	(160,486)
100:0 London Life With-Profits	(20,342)	-
0:100 BLAGAB	(313,102)	(93)
0:100 Non Profit Fund	(3,154)	(633)
100:0 SERP	(61,838)	(51,891)
Total	<u>(580,952)</u>	<u>(213,104)</u>

Business Transfers

The business transfers between the funds consist of vesting annuities. Of the balance transferred in to the Non Profit Fund, £13,890k is in relation to vesting annuities from LLL. 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

The business transfers also include transfers in of £1,096,431k, which represents the brought forward fund value of LLL. With effect from 1 July 2012, all of the long term business and the majority of the shareholders' funds of LLL were transferred to the Company for £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 ("The Scheme") approved by the High Court on 24 September 2012.

Following the creation of one Non Profit Fund as part of the Part VII scheme, all balances in the BLAGAB fund were transferred into the Non Profit Fund on 1 July 2012.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3 (continued)

***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 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. The taxation of each fund is computed in accordance with the requirements of the Part VII Scheme.

***4008* Provision of management services**

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

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

eSecLending Securities Finance Trust Company have provided securities lending services for the Ignis managed assets of the insurer for the whole of the financial year.

***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 £59.8m (2011: £92.1m) and £21.5m (2011: £17.0m) to Pearl Group Services Limited and Ignis Investment Management Limited in respect of services provided.

At 31 December 2012 there were £554.1m (2011: £602.6m) in loans made to its holding company, Pearl Group Holdings (No. 2) Limited. One loan was waived and another was transferred in from London Life Limited as part of the Part VII scheme. These loans are interest bearing. One of these loans is repayable on 13 December 2013, three are repayable on 31 December 2013 and one is repayable on 13 December 2016.

At 31 December 2012 there were £115.0m (2011: £115.0m) in loans made to its subsidiary company, National Provident Life Limited. These loans are interest bearing and are repayable on 30 June 2016 and 2 September 2019. There was also a loan of £80.0m (2011: £80.0m) to its subsidiary company National Provident Life Holdings Limited. This loan is interest bearing and has no fixed term.

There are four loans to fellow subsidiary companies PGH (LCA) Limited and PGH (LCB) Limited with a combined value of £28.5m. Each of these has one loan that is repayable on 30 June 2016 and earns interest at a rate LIBOR + 125bps and one loan that is repayable on 02 September 2024 and earns interest at a rate LIBOR + 100bps.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3 (continued)

4009 Material connected-party transactions (continued)

At 31 December 2012 there was a £250.0m (2011: £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.

With effect from 31 March 2012, the general insurance business of the Company transferred to BA(GI) Limited. Further details of this transfer are provided in note 0001.

With effect from 1 July 2012, all of the long term business of and the majority of the shareholders' funds of London Life Limited were transferred to the company. Further details of this transfer are provided in note 4004.

On 1 July 2012 the Company received a capital contribution of £216m (2011: £nil) from PGH2, the Company's immediate parent. On 29 October 2012 a capital contribution of £100m was returned to PGH2.

The Company paid capital contributions to its subsidiary NPLH of £100m in the year (2011: £nil).

With effect from 1 July 2012, the Company cancelled the reinsurance of pension annuity in-payment liabilities reinsured to the Non-Profit Fund from fellow group companies National Provident Life Limited ("NPLL") and Phoenix Life Limited ("PLL"). In order to effect this the Company paid premiums of £596m to NPLL and £89m to PLL.

With effect from 1 July 2012, the Company cancelled the reinsurance of pension annuity in-payment liabilities reinsured from the Non-Profit Fund to a fellow group company, Opal Re. In order to effect this the Company received premiums of £1,070m.

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 cost
- other investments are shown at directors' estimates of market value

4501 Internal linked funds brought forward

With effect from 1 July 2012, the long term business funds together with the majority of the shareholders funds of London Life Limited were transferred to the insurer for a £nil consideration 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.

Internal linked funds of £304,491,000 were part of the transfer and are included in line 49 column 1.

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3 (continued)

***4600* Single Premiums**

The amount of single premiums does not match Form 41 as Form 46 does not include premiums relating to the recapture of some reinsurance treaties.

***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 2012 was:

Land and buildings	9.9%
Approved fixed interest securities	20.7%
Other fixed interest securities	20.0%
Variable interest securities	3.6%
UK listed equity shares	11.3%
Non-UK listed equity shares	15.5%
Unlisted equity shares	11.1%
Other assets	7.9%

***4801* Asset mix for assets share portfolio (continued)**

100:0 London Life With-Profits

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

Asset	Active Block		Passive Block		UWP Block
	Excluding AMP	AMP	Cash Bonus	Pension	
Gilts	42%	43%	34%	71%	24%
Corps	19%	19%	16%	27%	13%
Prop	13%	13%	0%	0%	5%
Equity	26%	0%	0%	0%	50%
Cash	0%	25%	50%	2%	3%
Other	0%	0%	0%	0%	5%

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3 (continued)

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 investment manager has provided an appropriate redemption date. The value of these assets at the valuation date was £253m.

100:0 SERP With-Profits

For assets that may be redeemed in full at the option of the guarantor or the issuer on specified dates, the assumed maturity date has been at the first call date. The value of callable corporate bonds at the valuation date was £12 million. 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 £71 million 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 investment manager has provided an appropriate redemption date. The value of these assets at the valuation date was £3m.

Non-Profit Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets at the valuation date was £708m.

4804 Asset yields

100:0 London Life With-Profits

The yields for the assets contained within line 28 of Form 48 are as follows:

Asset	Yield
Swaps	0.00%
OA with income	1.28%
OA no income	0.00%

Non-Profit Fund

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

Asset	Yield
Other assets with income	0.50%
Other assets no income	0.00%

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.3 (continued)

***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.

100:0 SERP

The assets used in the calculation of the with profit return are all assets backing asset shares.

100:0 London Life With-Profits

The assets used to calculate column 5 of Form 48 are those shown for the non-actively managed Block of assets. The asset mix for these assets is shown in Note 4801.

***4807* Allocation of assets to column 2 of Form 48**

100:0 SERP With-Profits

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

The following additional reallocation does not have an explicit instruction but has been made to reflect the underlying assets: £7.9 million from 14.1/24.1 is allocated to 11.2/21.2 in respect of variable interest securities that are part of a property collateralisation. The unit trust part of the property vehicle holding is reallocated between 18.1/28.1 to 11.2/21.2 in accordance with instruction 2.

***4901* Credit rating agency**

All funds except 100:0 SERP

Ratings shown are the weaker of ratings provided by Moody's Investors Services and Standard & Poors Corporation, otherwise the credit ratings used were provided by Ignis Investment Services Limited.

100:0 SERP

The credit rating agencies used to provide the split were UBS, Standard and Poor's and Moody's.

***5101* Group Scheme Business**

The following group schemes exist on Form 51:

100:0 London Life With-Profits

Number of schemes	Product Code
0	175
1	185

Non-Profit Fund

Number of schemes	Product Code
26	410
0	420

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3 (continued)

***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.

***5702* Risk adjusted yield**

a) 100:0 SERP

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.

	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using FSA Waiver
UK Pension With Profit	2.73%	0.25%	2.98%

Non-Profit Fund

As referred to in note 0201, the FSA, 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)

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets as per direction
UKP NP code 390	2.21	0.00	2.21
UKP NP code 390	2.22	0.35	2.57
UKP NP code 400	3.12	(0.09)	3.03
UKP NP code 400	0.41	0.00	0.41
UKP NP code 300/325/330/410	2.02	0.49	2.51
UKP NP code 325/390/435	2.88	0.02	2.90
UKP NP code 435	2.95	0.02	2.97

Within the product group UKP NP Code 325/390/435 and UKP NP Code 325 there are £1.8m and £32.3m of negative reserves in respect of protection business respectively.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2012

Appendix 9.3 (continued)

***5802* Transfer from other funds**

Summary

Line 13 represents the transfers of the shareholders share of With-Profits bonuses of £12,992k and the transfer of Non-Profit fund surplus of £84,935k. Line 32 represents the support provided from the Shareholder Fund to the SERP Fund of £27,500k and the LL WP Fund of £21,833k. Line 33 represents the transfer in of surplus from the long term Funds of London Life Limited of £(137,273)k as detailed in note 4004. These items have been reported separately on Form 58 to provide a clearer presentation of the distribution of surplus within the long term insurance business fund.

Pearl With-Profits Fund

Line 13 represents the transfers of the shareholders share of With-Profits bonuses of £12,992k.

SERP Fund

Line 32 represents capital support provided by the Shareholder Fund of £27,500k.

London Life With-Profits Fund

Line 32 represents capital support provided by the Shareholder Fund of £21,833k. Line 33 represents capital support provided by the Non-profit Fund of £101,792k and the transfer in of surplus from London Life Limited ("LLL") With-Profit Funds of £(76,792)k as detailed in note 4004.

BLAGAB Fund

Line 14 represents the transfer of the fund to the Non-Profit Fund of £250,656k as detailed in note 4004.

Non Profit Fund

Line 13 represents the transfers of the surplus to the Shareholder fund of £84,935k. Line 33 represents the transfers in of the BLAGAB Fund of £250,656 and LLL Non-Profit Funds of £(60,481)k, as detailed in note 4004. These items have been reported separately on Form 58 to provide a clearer presentation of the distribution of surplus within the long term insurance business fund.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2012

- (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 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 exceeds 8% p.a., and hence which would require a significant market movement to become 'in the money' options, was £385m.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2012

(continued)

- (d) 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 or did not fall within the definition of a permitted derivative contract.

Attention is drawn to an equity total return swap which was traded between Pearl SHF and London Life SHF with a nominal value of £50m during December 2011 which was closed in October 2012.

- (e) 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 2012

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;
- f) Xercise Limited *;
- g) Alpha-Gamma Shares Limited *;
- h) Alphabet Shares Limited *;
- i) Delta Shares Limited *;
- j) Zeta Shares Limited *;
- k) Eta Shares Limited *;
- l) Theta Shares Limited *;
- m) Iota Shares Limited *;
- n) Kappa Shares Limited *;
- o) TDR Shares Limited *;
- p) Lambda Shares Limited *;
- q) Xercise 2 Limited *;
- r) Jambright Limited;
- s) TDR Capital Nominees Limited; and
- t) TDR Capital LLP

* ceased to be a controller on 28 September 2012

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 2012, Pearl Group Holdings (No. 2) Limited owned 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 2012, Phoenix Life Holdings Limited owned 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.

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 2012

(continued)

3. PGH (LCA) Limited

As at 31 December 2012, PGH (LCA) Limited owned 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 2012, PGH (LCB) Limited owned 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.

5. Phoenix Group Holdings

As at 31 December 2012, Phoenix Group Holdings owned 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited which between them owned 100% of the shares in 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.

6. Xercise Limited

As at 31 December 2012, Xercise Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held one share (equivalent to 0.00000057% of the issued share capital) in Phoenix Group Holdings, 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, Xercise Limited was entitled to exercise 0.00000057% of the voting power at any general meeting of Phoenix Group Holdings.

7. Zeta Shares Limited

As at 31 December 2012, Zeta Shares Limited, which at the time was an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held 1.31% of the issued share capital of Phoenix Group Holdings, 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, Zeta Shares Limited was entitled to exercise 1.31% of the voting power at any general meeting of Phoenix Group Holdings.

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 2012

(continued)

8. TDR Shares Limited

As at 31 December 2012, TDR Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held 0.44% of the issued share capital of Phoenix Group Holdings, 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, TDR Shares Limited was entitled to exercise 0.44% of the voting power at any general meeting of Phoenix Group Holdings.

9. Lamda Shares Limited

As at 31 December 2012, Lamda Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held 0.01% of the issued share capital of Phoenix Group Holdings, 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, Lamda Shares Limited was entitled to exercise 0.01% of the voting power at any general meeting of Phoenix Group Holdings.

10. Xercise2 Limited

As at 31 December 2012, Xercise2 Limited, directly held 5.28% of the issued share capital of Phoenix Group Holdings, 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, Xercise2 Limited was entitled to exercise 5.28% of the voting power at any general meeting of Phoenix Group Holdings.

As at 31 December 2012, the overall interest of Xercise2 Limited and its subsidiary undertakings, which are associates within the meaning of the Financial Services and Markets Act 2000, in the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, amounted to 7.04%.

At the end of the financial year, to the knowledge of the insurer, Xercise2 Limited was entitled to exercise, or control the exercise of, 7.04% of the voting power at any general meeting of Phoenix Group Holdings.

11. Alpha-Gamma Shares Limited

As at 31 December 2012, Alpha-Gamma Shares Limited, held no shares (equivalent to nil %) in Phoenix Group Holdings, 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, Alpha-Gamma Shares Limited was not entitled to exercise any voting power at any general meeting of Phoenix Group Holdings.

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 2012

(continued)

12. Alphabet Shares Limited

As at 31 December 2012, Alphabet Shares Limited, held 0.43% of the issued share capital of Phoenix Group Holdings, 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, Alphabet Shares Limited was entitled to exercise 0.43% of the voting power at any general meeting of Phoenix Group Holdings.

13. Delta Shares Limited

As at 31 December 2012, Delta Shares Limited, held no shares (equivalent to nil %) in Phoenix Group Holdings, 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, Delta Shares Limited was not entitled to exercise any voting power at any general meeting of Phoenix Group Holdings.

14. Eta Shares Limited

As at 31 December 2012, Eta Shares Limited, held 0.21% of the issued share capital of Phoenix Group Holdings, 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, Eta Shares Limited was entitled to exercise 0.21% of the voting power at any general meeting of Phoenix Group Holdings.

15. Theta Shares Limited

As at 31 December 2012, Theta Shares Limited, held 0.07% of the issued share capital of Phoenix Group Holdings, 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, Theta Shares Limited was entitled to exercise 0.07% of the voting power at any general meeting of Phoenix Group Holdings.

16. Iota Shares Limited

As at 31 December 2012, Iota Shares Limited, held 0.69% of the issued share capital of Phoenix Group Holdings, 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, Iota Shares Limited was entitled to exercise 0.69% of the voting power at any general meeting of Phoenix Group Holdings.

17. Kappa Shares Limited

As at 31 December 2012, Kappa Shares Limited, held 0.06% of the issued share capital of Phoenix Group Holdings, 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, Kappa Shares Limited was entitled to exercise 0.06% of the voting power at any general meeting of Phoenix Group Holdings.

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)

18. Jambright Limited

As at 31 December 2012, Jambright Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, held 2.58% of the issued share capital of Phoenix Group Holdings, 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, Jambright Limited was entitled to exercise 2.58% of the voting power at any general meeting of Phoenix Group Holdings.

19. TDR Capital Nominees Limited

As at 31 December 2012, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, directly held the legal title to 14.3% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking.

In addition, to the knowledge of the insurer, as at 31 December 2012, TDR Capital Nominees Limited's ownership of the legal title to 91.7% of the issued share capital of Jambright Limited, ultimately entitled them to the 2.58% interest in the issued share capital of Phoenix Group Holdings held by Jambright Limited.

In addition, to the knowledge of the insurer, as at 31 December 2012, TDR Capital Nominees Limited's ownership of the legal title to 100% of the B Ordinary class of shares in Xercise2 Limited, ultimately entitled them to the 0.44% interest in the issued share capital of Phoenix Group Holdings held by TDR Shares Limited.

On this basis, as at 31 December 2012, TDR Capital Nominees Limited's overall interest in the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, amounted to 17.3%.

At the end of the financial year, to the knowledge of the insurer, TDR Capital Nominees Limited was entitled to exercise, or control the exercise of, 17.3% of the voting power at any general meeting of Phoenix Group Holdings.

20. TDR Capital LLP

As at 31 December 2012, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking of TDR Capital LLP, in aggregate held 17.3% of the issued share capital of Phoenix Group Holdings, 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, TDR Capital LLP was entitled to control the exercise of 17.3% of the voting power at any general meeting of Phoenix Group Holdings.

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 2012.

(2) Previous Valuation

The date to which the previous actuarial investigation under IPRU (INS) rule 9.4 related was 31 December 2011.

On 1 July 2012 all the business within the long-term fund of London Life Limited ("LLL") was transferred into Pearl Assurance Limited under Part VII of the Financial Services and Markets Act 2000. Pearl Assurance Limited was then renamed Phoenix Life Assurance Limited ("PLAL"). Where reference is made to a previous valuation in respect of this business transferred into PLAL on 1 July 2012, this refers to the valuation carried out in LLL at 31 December 2011.

(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 Mar 2002 Apr 2002 to Jun 2002 Jul 2005 to Dec 2005 Jan 2006 to Dec 2007 Jan 2008 to Mar 2008 Apr 2008 to Jun 2008 Jan 2011 to Mar 2011 Apr 2011 to Sep 2011 Jan 2012 to Mar 2012	Jan 2012 to Dec 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Dec 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jul 2012 to Sep 2012
Reinsurance Accepted Portfolio Bond 1b & Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Sep 2001 Oct 2001 to Mar 2002 Apr 2002 to Jun 2002 Jan 2006 to Jun 2006 Jul 2006 to Sep 2006 Oct 2006 to Dec 2007 Jan 2008 to Mar 2008 Apr 2011 to Jun 2011	Jan 2012 to Dec 2012 Jan 2012 to Sep 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Dec 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012
Reinsurance Accepted Investment Bond	Oct 2000 to Sep 2001 Oct 2001 to Jun 2002 Jul 2005 to Dec 2005 Jan 2006 to Jun 2006 Jul 2006 to Dec 2007 Jan 2008 to Mar 2008 Apr 2008 to Jun 2008 Apr 2011 to Jun 2011	Jan 2012 to Dec 2012 Jan 2012 to Sep 2012 Jan 2012 to Mar 2012 Jan 2012 to Sep 2012 Jan 2012 to Dec 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Mar 2001 Apr 2001 to Jun 2001 Oct 2006 to Dec 2006 Jan 2007 to Mar 2007 Apr 2007 to Dec 2007 Jan 2008 to Mar 2008 Oct 2010 to Dec 2010 Jan 2011 to Jun 2011 Jul 2011 to Sep 2011	Jan 2012 to Dec 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Dec 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jan 2012 to Mar 2012 Jul 2012 to Sep 2012 Jan 2012 to Mar 2012

Pearl With-Profits Fund

Product	Policy Year of entry	Period applied
Reinsurance Accepted Individual Pensions & Reinsurance Accepted Group Pensions	Jan 2000 to Sep 2001	Jan 2012 to Dec 2012
	Oct 2001 to Mar 2002	Jan 2012 to Mar 2012
		Jul 2012 to Sep 2012
	Apr 2002 to Jun 2002	Jan 2012 to Mar 2012
	Jan 2006 to Mar 2006	Jan 2012 to Mar 2012
		Jul 2012 to Sep 2012
	Apr 2006 to Jun 2006	Jan 2012 to Mar 2012
	Jul 2006 to Sep 2006	Jan 2012 to Mar 2012
		Jul 2012 to Sep 2012
	Jan 2007 to Dec 2007	Jan 2012 to Dec 2012
	Jan 2008 to Mar 2008	Jan 2012 to Mar 2012
		Jul 2012 to Sep 2012
	Jan 2011 to Mar 2011	Jan 2012 to Mar 2012
	Apr 2011 to Jun 2011	Jan 2012 to Sep 2012
Jul 2011 to Sep 2011	Jan 2012 to Mar 2012	
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Jun 2001	Jan 2012 to Dec 2012
	Jul 2001 to Sep 2001	Jan 2012 to Mar 2012
	Oct 2006 to Dec 2006	Jan 2012 to Mar 2012
	Jan 2007 to Mar 2007	Jan 2012 to Mar 2012
		Jul 2012 to Sep 2012
	Apr 2007 to Jun 2007	Jan 2012 to Dec 2012
	Jul 2007 to Dec 2007	Jan 2012 to Mar 2012
		Jul 2012 to Dec 2012
	Jan 2008 to Mar 2008	Jan 2012 to Mar 2012
	Oct 2010 to Dec 2010	Jan 2012 to Mar 2012
	Jan 2011 to Mar 2011	Jan 2012 to Mar 2012
		Jul 2012 to Sep 2012
	Apr 2011 to Jun 2011	Jan 2012 to Dec 2012
	Jul 2011 to Sep 2011	Jan 2012 to Mar 2012

Note:

1. 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 2012 in line with the National Average Earnings Index, an increase of 1.5%.

(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 2012:

Regular Premiums and Paid Up Policies	1.36% pa
Single Premiums	1.06% pa
DSS Recurrent Single Premiums	1.11% pa

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 £915m for regular premium and paid up policies, £214m for single premium policies and £800m 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 cleared at the end of each month. 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 cleared at the end of the month.

(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.

Pearl With-Profits Fund

Product Group	2012	2011	Product Code
Conventional Life Business	2.50%	3.50%	100, 120, 125, 205, 300, 435
Industrial Branch	4.00%	4.00%	105, 130, 310
Conventional General Annuity endowments	2.40%	3.40%	155, 300
Conventional Pensions deferred annuities	1.90%	2.40%	165, 390
Conventional Pensions endowments	1.90%	2.40%	155, 300
Reinsurance Accepted Immediate Annuities	3.20%	4.20%	200
Individual Pensions UWP - PP	1.50%	2.50%	525
Individual Pensions UWP	1.70%	2.70%	525
Unitised Accumulating With Profits – Life Business	1.10%	1.10%	500, 505, 515, 575
Reinsurance Accepted Bonds	1.50%	1.50%	500
Unitised Accumulating With Profits – ISA Business	1.70%	2.70%	506
Reinsurance Accepted Pensions Business	2.00%	2.00%	535

Note:

1. Where two interest rates are shown they represent the interest rate in deferment and interest rate in payment.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

The gross redemption yield is provided by the back office administrators of the portfolios which are State Street in respect of assets managed by Ignis and BNP Paribas in respect of assets managed by HGI. Where yield information is not available it is assumed to be zero.

There is a 15% cap on fixed interest yields.

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. No allowance is made for credit risk.

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 which is applied on an individual stock by stock basis.

The yield on assets is reduced to account for default risk.

Ignis obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from the table below. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2011), net of an allowance for 36.8% recovery. The recovery is based on the issuer-weighted Senior Unsecured historical defaults using average corporate debt recovery rates measured by post-default trading prices. Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of AA and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut.

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 result in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

The long-term average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt Term (bps)			Bank Subordinated Debt Term (bps)		
	5 year	10 year	20 year	5 year	10 year	20 year
AAA	4.1	11.2	12.8	6.4	17.6	20.2
AA	20.4	32.0	43.6	32.3	50.5	68.9
A	33.6	46.0	58.7	53.1	72.8	92.7
BBB	79.0	93.9	105.4	125.0	148.5	166.7
BB	251.2	254.2	244.6	397.1	401.9	386.7
B	569.6	481.8	382.5	900.5	761.7	604.7

Bonds rated CCC and below are taken as having no value.

An additional 5% prudent margin is applied to credit haircuts for the Regulatory Peak basis; this margin is held in the form of an additional provision of £8.0m.

The resulting haircuts are expressed in basis points rather than as a percentage of the spread (difference) between bond yields and a Gilt of the same term. This means that the haircuts are not dependent on the absolute level of spreads. As spreads rise, the haircut as a percentage of spread falls and vice versa. It is recognised that such an approach could lead, in circumstances such as pertained immediately prior to mid-2007, to haircuts of 100% of spread or more, indicating that bonds were poor value relative to Gilts on a risk-adjusted basis.

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.

The real yield is provided by the back office administrators of the portfolios. Where the information is not available the yield is assumed to be zero.

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.

Pearl With-Profits Fund

(4) Mortality Basis

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

Product Group	2012		2011		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)	109.2% RMV00 Improvements CMI_2009 C2029 ⁽¹⁾⁽²⁾	106.8% RFV00 Improvements CMI_2009 C2030 ⁽¹⁾⁽²⁾	106.8% RMV00 Improvements CMI_2009 C2028 ⁽¹⁾⁽²⁾	111.6% RFV00 Improvements CMI_2009 C2026 ⁽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_2009 ⁽¹⁾	85.5% PFA00 Improvements CMI_2009 ⁽¹⁾	92.6% PMA00 Improvements CMI_2009 ⁽¹⁾	83.1% PFA00 Improvements CMI_2009 ⁽¹⁾	200
Individual Pensions UWP – PP	79% AMC00	79% AFC00	79% AMC00	79% AFC00	525
Unitised Accumulating With Profits – Homebuyer	89% AMB0	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 2009 improvements 3.25% for ages up to age 60, 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

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			26.1	24.5
Reinsurance Accepted Immediate Annuities	23.0	14.0		

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			28.9	27.6
Reinsurance Accepted Immediate Annuities	26.1	16.2		

(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	2012 £pa	2011 £pa	Tax Relief	Product Code
Conventional endowment with-profits OB savings	76.07	73.70	20%	120
Conventional endowment with-profits OB target cash	76.07	73.70	20%	125
Conventional pensions endowment with-profits	76.07	73.70	0%	155
Conventional deferred annuity with-profits	76.07	73.70	0%	165
Life UWP single premium	68.46	66.33	20%	500
Life UWP endowment regular premium – target cash ⁽²⁾	76.07	73.70	20%	515
Individual pensions UWP	76.07	73.70	0%	525
Group money purchase pensions UWP	0.00	0.00	0%	535
Individual Pensions UWP – PP	34.61	33.41	0%	525
Individual Pensions UWP – PP (AMC) ⁽¹⁾	48bp	48bp	0%	525

Note:

- 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.
- 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 a reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

Product Group	2012	2011
	Bp ⁽²⁾	Bp ⁽²⁾
All business except Personal Pensions Guarantee Reserve ⁽¹⁾	40	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	2012	2011
Expense inflation	2.9%	2.9%
Policy charge inflation	3.1%	3.1%
Expense inflation (Reinsurance Accepted Bonds)	4.6%	4.6%
Expense inflation (Reinsurance Accepted Immediate Annuities)	4.6%	4.6%

(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

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

Product ^{(1) (2) (3)}		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
UWP bond	Surrender	nil	nil	nil	nil
UWP bond	Automatic Withdrawals ⁽³⁾	1.5%	1.5%	1.5%	1.5%
Individual Pensions UWP	PUP	10.5%	10.5%	10.5%	10.5%
Individual Pensions UWP - PP	PUP	6.0%	6.0%	6.0%	6.0%

Notes:

1. This table gives the persistency assumptions used in the valuation for the products specified in the instructions in IPRU (INS) for paragraph 4(9) of Appendix 9.4 where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10m and 1% of the total gross mathematical reserves.

Pearl With-Profits Fund

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.

(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	2012	2011
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) The guaranteed annuity option reserve is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option.

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

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

Pearl With-Profits Fund

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

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

Assumption	2012
Take up Rate	100%
Rate of interest	Min(Gilts, Swaps), capped at 2.3%
Mortality in payment	109.2% RMV00 C2029 ⁽¹⁾ 106.8% RFV00 C2030 ⁽¹⁾
Expected annuity Guarantee periods	A period of 5 years is assumed for Top Hats and Freedom Bonds. For Table XII the assumption is split: <div style="text-align: right; margin-right: 20px;"> 0 years 65% 5 years 10% 10 years 25% </div>
Expected annuity Escalation rates	A rate of 0% p.a. is assumed for Table XII. For Top Hats and Freedom Bonds the assumption is split: <div style="text-align: right; margin-right: 20px;"> 0% p.a. 85% 3% p.a. 15% 5% p.a. 0% </div>
Tax free lump sum	17% decreasing linearly to 5% after 20 years for Table XII, 11% decreasing linearly to 5% after 20 years for Top Hats and Freedom Bonds
Retirement Rates	As per 4(10) above
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age: <div style="text-align: right; margin-right: 20px;"> Regular: 1% p.a. Single: 0.75% p.a. All other business: 0% p.a. </div>

Note:

1. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.

Pearl With-Profits Fund

(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 endowment with-profits	18,315	Gradual run-off, mean term of 8 years	13,191	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	832,549	Gradual run-off, mean term of 9 years	684,515	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	55,920	Gradual run-off, mean term of 9 years	39,412	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	51,388 See Note 5	Gradual run-off, mean term of 8 years	29,579	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	2012
Real rate of interest	-0.4% per annum
Future inflation ⁽¹⁾	3.20% per annum
Salary increases above inflation, inclusive of allowance for future salary progression	1.85% per annum
Annuity pricing margin	15.0%
Mortality during deferment	79% AM/FC00 Ultimate
Mortality in payment	109.2% RMV00 (CMI_2009 improvements up to 3.25%, age related min improvement) 106.8% RFV00 (CMI_2009 improvements up to 3.25%, age related min improvement)
Percentage assumed married	100%
Allowance for future service	up to 14 years for those unable to rejoin their pension scheme

⁽¹⁾ Annuities in payment are assumed to increase at the future inflation rate.

The amount of business involved had a basic mathematical reserve of £66 million reserve with additional reserves of £538 million. 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	2012
Rate of interest	1.8% per annum
Mortality - Conventional Life Endowment	116% AMC/AFC00 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/AF80 Ult
Voluntary Discontinuance	0% p.a.
Prudence Factor	5%

The amount of business involved had a basic reserve of £326 million and additional reserves (MEP reserve) of £154 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	10	11	1	22
Other	0	14	23	1	38
Total	0	24	34	1	60

(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 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

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 these total

per-policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum (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 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 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	5,946	5,046
Euro	0	390
USD	0	508
Other	0	2
Total	5,946	5,946

Non sterling currency assets held to back the mathematical reserves are fully hedged back to sterling.

(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)	18.2
Minimum investment fee guarantee	10.0
Credit Default Peak 1 provision	8.0

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.
- Additional reserve for investment management – a provision is held on a prudent basis to cover the possibility of additional fees payable to the investment managers.
- The credit default provision is held to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption.

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	31.12.2012 Basic Mathematical Reserve £'000	31.12.2012 Reversionary Bonus Per £14 weekly premium £	31.12.2011 Reversionary Bonus Per £14 weekly premium £	31.12.2012 Total guaranteed bonus Per £14 weekly premium £
Endowment policies	7,267	£0	£0	£N/A
Whole Life policies	116,598	£0	£0	£N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2012 Basic Mathematical Reserve £'000	31.12.2012 Reversionary Bonus %	31.12.2011 Reversionary Bonus %	31.12.2012 Total guaranteed bonus %
Life regular premium	79,685	2%	2%	N/A
Pensions regular premium	87,170	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2012 Basic Mathematical Reserve £'000	31.12.2012 Reversionary Bonus %	31.12.2011 Reversionary Bonus %	31.12.2012 Total guaranteed bonus %
Life regular premium and paid up policies	503,788	0%	0%	N/A
General annuity fund regular premium and paid up policies	30,920	0%	0%	N/A
Pensions regular premium and paid up policies	770,246	0%	0%	N/A
Pensions single premium	669,204	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP - PP

Bonus Series	31.12.2012 Basic Mathematical Reserve £'000	31.12.2012 Reversionary Bonus %	31.12.2011 Reversionary Bonus %	31.12.2012 Total guaranteed bonus %
Regular Premium	922,195	0%	0%	N/A
Single Premium	214,500	0%	0%	N/A
Protected rights DSS recurring single premium	800,165	0%	0%	N/A

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

Bonus Series	31.12.2012 Basic Mathematical Reserve £'000	01.01.2012 to 31.12.2012 Reversionary Bonus %	31.12.2012 Total guaranteed bonus %
Life policies issued in 1995	8,902	0.75% / 0.42%	N/A
Life policies issued after 1995	274,440	0.75% / 0.42%	N/A
Pensions policies	335,524	1.10% / 0.55%	N/A
ISA Bonus Account policies	130,938	0.50% / 0.25%	N/A
Bonus Account policies	7,830	0.40% / 0.20%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2012 Basic Mathematical Reserve £'000	31.12.2012 Reversionary Bonus %	31.12.2011 Reversionary Bonus %	31.12.2012 Total guaranteed bonus %
Portfolio Bond 1a	14,298	1.00%	1.00%	N/A
Portfolio Bond 1b	2,062	1.00%	1.00%	N/A
Portfolio Bond 2	4,259	1.00%	1.00%	See Note (1)
Investment Bond	40,575	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	33,666	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions	23,808	1.50%	1.50%	N/A
Group Pensions	17,348	1.50%	1.50%	N/A
Capital Account Pensions	15,362	5.25%	3.25%	N/A
Immediate Annuities Series 3	14,909	4.47%	4.47%	N/A
Immediate Annuities Series 4	35,083	4.47%	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.

For policyholders older than 59, the reserve is the greater of the reserve calculated using the method mentioned above and that assuming immediate vesting.

If valued as a deferred annuity an additional expense reserve is included to allow for expenses after vesting in line with the present expense assumptions for annuities in payment. Also if valued as a deferred annuity the 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:

Product Group	2012	2011	Product Code
Gross premium basis			
SERP	2.83%	3.2%	165

(3) Risk Adjustments

Yields on other fixed interest or variable yield securities were reduced to allow for the risks of default while retaining some margin over gilt yields for reduced liquidity of corporate bonds.

(4) Mortality Basis

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

Product Group	2012		2011		Product Code
	Males	Females	Males	Females	
Pre-vesting					
SERP	50% AM92	50% AF92	60% AM92	60% AF92	165
Post-vesting / In payment					
SERP	97% RMV00	97% RFV00	97% RMV00	103.5% RFV00	165

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2012, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements in line with the CMI Mortality Projections model v1.0 with a 3.25% floor up to age 60 reducing to 0% at age 120 for both males and females have been assumed. This is the same as at 31 December 2011.

Male complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	27.2	25.6

Female complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	29.8	28.5

(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
	2012 £pa	2011 £pa	2012 £pa	2011 £pa	
CWP pensions	62.94	60.64	25.29	24.36	165
Annuity			38.54	37.13	400

Notes:

All expenses above are shown as per policy rather than per benefit.

An allowance for expenses for the full outstanding term has also been added to contracts.

Gross Investment expenses

Investment expenses, after allowance for VAT where appropriate, have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point ("bp") reductions applied:

SERP With-Profits Fund

Fund	2012 Bps	2011 bps
Gilts	12.84	9.75
IL Gilts	7.50	7.50
Approved	10.00	10.00
Bonds	8.06	8.80
Property	26.25	20.00
Derivatives	0.00	10.35
Cash	7.10	8.50

(7) Inflation Rates

Expense inflation rates are:

Product Group	Expense Inflation Rate (% p.a)	
	2012	2011
All business	3.90	3.90

(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, lapse and paid-up assumptions is as follows:

Product		Average lapse / surrender / paid up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP pension regular premium	PUP	0.00%	0.00%	0.00%	0.00%
CWP pension regular premium	surrender	0.50%	0.50%	0.50%	0.50%
CWP pension single premium	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	2012	2011
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

(11) Allowance for Derivatives

Derivative contracts are held by the company. There are inflation hedge swaps, interest rate swaps and swaptions. The cashflows expected to arise from derivatives are projected assuming the current yield curve (in line with the statutory valuation scenario).

The valuation yield is derived from the IRR on the combined cashflows from fixed interest securities and derivatives.

(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. The reserve for this Guaranteed Cash Fund ("GCF") is valued stochastically on a market consistent basis using 2,000 simulations. The reserve is the average over 2,000 simulations of the discounted value of the excess of the GCF over the fund using market annuity rates, if positive, for each simulation.

Table detailing guarantee reserves:

Product Code	165
Product name	Self Employed Retirement Plan
Basic reserve, £000	1,375,617
Spread of outstanding durations	Gradual run-off mean term of 4.3 years to assumed vesting dates.
Guarantee reserve, £000	100
Increments allowed	No
Form of the annuity	Consistent with that taken at policy inception
Retirement ages	60, 65, 70 or 75. See section 4(1)

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 £3.1m.

Homogeneous Risk Group	Implicit Allowances £million	Explicit Allowances (Investment) £million	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
Non-unitised business	0.00	1.06	2.03	0.00	3.10
Total	0.00	1.06	2.03	0.00	3.10

(2) Implicit Allowances

Investment expense allowances are implicitly calculated by a margin in the valuation interest rate.

(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 2012 figures while the loadings are expected 2013). 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	1,378.2	1,378.2
Euro	0.0	0.0
Total	1,378.2	1,378.2

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

No currency mismatch reserve is held. Foreign exchange forwards are held to minimise the currency risk from the non-Sterling assets

(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

For the 31 December 2012 valuation an additional reserve was established in respect of short term corporate bond defaults on Pillar 1. This reserve, of £2.5m, was calculated using sensitivity information such that it increases the total default amount by 5%.

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	31.12.2012	31.12.2012	31.12.2011	31.12.2012	Product code
	Mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus	
	£000	%	%	%	
With-profit S620 deferred annuities (SERP)	1,375,617	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	1999-2001 2007	Throughout 2012
Unitised With Profit Pension	1999-2001 2007	Throughout 2012

(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 2012, in line with the Retail Price Index increases from September 2010 to September 2011, an increase of 2.9%.

(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 cleared at the end of each month.				
Equity (Direct Holdings)	20%	19.50%	20%	19.50%
Equity (Direct Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are not cleared until the end of the month in which they become realised.				
Equity (Collective Investment Scheme Holdings)	20%	19.50%	20%	19.50%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2012 was 19.5%.				

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 2012, which apply during the period 1st July 2012 to 30th June 2013 for traditional London Life Business and during the period 1st July 2012 to 31st April 2013 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:

Sub Fund	Product Group	2012	July 2012	Product Code
100:0 LL WPF	Cash Bonus	1.84%	1.61%	100, 120
100:0 LL WPF	Fund R Compound Bonus	2.26%	1.76%	100, 120, 335
100:0 LL WPF	Unitised With Profit Life	1.76%	1.67%	505
100:0 LL WPF	Fund T Compound Bonus	1.85%	2.01%	120, 165
100:0 LL WPF	AMPUK Business	1.38%	3.79%	100, 120, 205
100:0 LL WPF	Pension Compound Bonus	1.69%	4.55%	155, 165
100:0 LL WPF	Unitised With Profit Pension	1.76%	1.74%	155
100:0 LL WPF	Fund W Deferred Simple Bonus	2.58%	5.24%	165
100:0 LL WPF	Fund W In Payment Simple Bonus	2.42%	3.00%	200
100:0 LL WPF	AMPUK Business	2.47%	1.69%	155
100:0 LL WPF	London Life Pension unit linked	2.00%	3.08%	725, 745
100:0 LL WPF	SPP With Profit Immediate Annuity	2.25%	3.57%	200

(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

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

The long term average default rates (in basis points), net of an allowance for recovery on default, were:

Credit Rating	Standard (non-subordinated) Debt Term (bps)		
	5 year	10 year	20 year
AAA	4.1	11.2	12.8
AA	20.4	32.0	43.6
A	33.6	46.0	58.7
BBB	79.0	93.9	105.4
BB	251.2	254.2	244.6
B	569.6	481.8	382.5

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

- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the standard approach.
- For corporate bonds rated below B no value was taken for the yield.
- An additional reserve of £1.9m is held to allow for higher levels of default in the medium term. This is not reflected in the default rates in the table above.

For sovereign debt, the above principles were also applied. Where a sovereign debt holding was rated A or below, or where notching was applied to treat the holding as being rated A or below, default allowances were as per the table above. For sovereign debt holdings rated AA, or notched to AA, default allowances were one-third of those indicated in the above table. For sovereign debt holdings rated AAA no default allowance was made.

London Life With-Profits Fund

(4) Mortality Basis

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

Sub Fund	Product Group	2012		2011		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 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 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)	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]	92.6% PCMA00 CMI_2009_M at C=2032 [3.25% to age 60, reducing linearly to 0% from age 120]	83.1% PCFA00 CMI_2009_F at C=2036 [3.25% to age 60, reducing linearly to 0% from age 120]	165
100:0 LL WPF	Fund W In Payment Simple Bonus	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]	92.6% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	83.1% PCFA00 CMI_2009_F at [3.25% to age 60, reducing linearly to 0% from age 120]	200
100:0 LL WPF	SPP With Profit Immediate Annuity	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]	92.6% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	83.1% 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 payment		Deferred annuities: life	
	Age 65	Age 75	Age 45	Age 55
100:0 LL Fund W - Deferred Annuities WPF			28.4	26.8
100:0 LL SPP With Profit -Immediate Annuity WPF	25.3	15.7		
100:0 LL Fund W Immediate Annuity WPF	25.3	15.7		

For annuity contracts life expectation for females is as follows:

Sub Fund Product Group	Annuities in payment		Deferred annuities: life	
	Age 65	Age 75	Age 45	Age 55
100:0 LL Fund W - Deferred Annuities WPF			30.1	28.7
100:0 LL SPP With Profit -Immediate Annuity WPF	27.2	17.2		
100:0 LL Fund W Immediate Annuity WPF	27.2	17.2		

(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	2012 £pa	2011 £pa	Tax Relief	Product Code
100:0 LL WPF	Conventional endowment with-profits OB savings (AMP Life) ⁽²⁾	41.69	40.48	20%	120
100:0 LL WPF	Conventional endowment with-profits OB savings (Fund P and Fund R) ⁽²⁾	40.81	39.6	20%	120
100:0 LL WPF	Conventional pensions endowment with-profits	102.96	99.77	0%	155
100:0 LL WPF	Conventional deferred annuity with- profits	40.81	39.6	20%	165
100:0 LL WPF	Conventional deferred annuity with- profits	46.09	44.66	0%	165
100:0 LL WPF	Individual pensions UWP	102.96	99.77	0%	525

Notes:

1. These policies are not shown separately in FSA Form 51.

LINKED BUSINESS

Sub fund	Product Group	2012 £pa	2011 £pa	Product Code
100:0 LL WPF	Life property linked	44.49	42.37	700
100:0 LL WPF	Individual pension property linked	102.96	99.77	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	2012 bps	2011 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		2012	2011
100:0 LL WPF	Expense inflation	2.80%	2.80%
All	Policy fee inflation	2.10%	2.10%

(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.

For accumulating with-profits business the calculation is performed twice – once assuming the premiums continue as normal and again assuming the policy becomes paid up at the valuation date. The maximum of these two calculations is then used for that policy.

(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	2012	2011
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) Contracts which only offer annuity benefits are valued as deferred annuities.

Contracts which offer both cash and annuity benefits are valued as cash benefit policies with an additional reserve held to cover the basis upon which the cash benefits may be converted into annuity benefits.

The guaranteed annuity option reserve is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option. The risk free rate for the forward term, volatility and forward rate parameters for the swaption are determined from the choice of replicating swaption. The market value of the swaption is determined by applying these parameters to Black's model.

The actual annuity rate is calculated on the assumptions that policyholders retire at their expected retirement age and select a level annuity with no guarantees.

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

Assumption	Sub Fund	Product Group	2012
Take up Rate ⁽¹⁾	100:0 LL WPF	Fund R Compound Bonus	84%
	100:0 LL WPF	Fund T Compound Bonus	100%
	100:0 LL WPF	AMPUK Pension	81%
	100:0 LL WPF	Pensions Compound Bonus (traditional)	85%
	100:0 LL WPF	BIGVIP	85%
	100:0 LL WPF	VIPMIG OLD	85%
	100:0 LL WPF	POLMIG	46%
Rate of interest	All	All	Max of B&H gilts spot and swap curves capped at 3.20%
Tax	Life	All	20%
	Pensions	All	0%
Mortality payment	All	Male	87.8% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]
		Female	85.5% PCFA00 CMI_2009_F [3.25% to age 60, reducing linearly to 0% from age 120]
Retirement Rates	All	All	Normal retirement age
Voluntary Discontinuance in deferment	All	All	0.50% p.a.

Notes:

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

London Life With-Profits Fund

(b) Details of the products concerned are 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 Compound Bonus	821	1-23 years	556	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Compound Bonus	2,742	1-13 years	1,969	9%	No	See Note 3	See Note 3
UK Pension	120	Former AMPUK Pension	39,315	1-28 years	25,714	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	38,089	1-18 years	28,542	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	5,634	1-17 years	4,156	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	82,253	1-33 years	50,010	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	13,191	1-37 years	630	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. At previous valuations an additional reserve was held for this guarantee, but from 31 December 2012 the guarantee is correctly allowed for in the unit pricing so no additional reserve is required.

There is no guaranteed surrender values not already 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	2012
Rate of interest	1.38% per annum for AMPUK
	2.26% per annum for Fund R
Mortality – Conventional Life Endowment	51% AM80
	84% AF80
Mortality – AMPUK Business	116% AMC00
	107% AFC00
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £60.5m with additional reserves of £5.6m.

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.....	£ 2.6 million
Allowance for investment management expenses.....	£ 2.8 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. There is a premium withheld arrangement of £21.4m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets are held in sterling.

(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 (4) above

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

Not Applicable see 7 (4) above

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

No additional reserve is held.

8 OTHER SPECIAL RESERVES

There are no special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

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 are no reinsurance treaties in Phoenix Life Assurance Ltd.

10 REVERSIONARY (OR ANNUAL) BONUS

Life Compound Bonus Participation Pool (1)

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	53,721	0.00%	0.00%

AMPUK Life Participation Pool (2)

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	54,759	0.00%	0.00%
AMPUK Life: AU, AUF, QU, GU	23,826	0.00%	0.00%
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	37,813	0.00%	0.00%

Cash Bonus Participation Pool (3)

London Life With-Profits Fund

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
Fund P Assurance (up to 68th series)	37,574	3.00% (Cash Bonus)	3.00% (Cash Bonus)
Fund P Assurance (69th series onwards)	16,971	2.00% (Cash Bonus)	2.00% (Cash Bonus)

Simple Bonus Participation Pool (4)

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
Fund W Deferred	20,547	0.00%	0.00%
Fund W Annuities in Payment	64,774	7.00%	7.00%

Pension Compound Bonus Participation Pool (4)

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
VIPMIG and BIGVIP + RPP84	74,242	0.00%	0.00%
POLMIG, GRPAVC, RPP85	66,453	0.00%	0.00%
V9a, V9B, V9C	54,361	0.00%	0.00%
V71, V72, V73	8,244	0.00%	0.00%
PPS, PPSTV, MINPPS, VIPLUS, VIPMIG0	72,034	0.00%	0.00%
SPP Bonus Series 3	15,782	0.00%	0.00%
SPP Bonus Series 4	37,444	0.00%	0.00%

AMPUK Pension Participation Pool (4)

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	61,749	0.00%	0.00%
AMPUK Pensions: PAC	16,496	0.00%	0.00%
Deposit Administration GKA	11,643	3.60%	3.60%

Unitised With Profit Pension Participation Pool (5)

London Life With-Profits Fund

Bonus Series	31.12.2012 Mathematical reserve £000	31.12.2012 reversionary bonus %	31.12.2011 reversionary bonus %
UWP Pension	8,055	2.5%/5%	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 31.12.2012 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 2012, in line with the Retail Price Index increases from September 2010 to September 2011, an increase of 5.6%.

(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 cleared at the end of each month.				
Equity (Direct Holdings)	20%	19.50%	20%	19.50%
Equity (Direct Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are not cleared until the end of the month in				
Equity (Collective)	20%	19.50%	20%	19.50%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2011 was 19.8%.				

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

Policies previously written in Pearl Assurance Ltd

The general principles and methods adopted in the valuation are:

NON LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method. Where appropriate the mathematical reserves

include additional amounts for future expenses, options and guarantees and rider benefits such as waiver of premium benefit.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

Policies previously written in London Life Limited

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 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.

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 London Life 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

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	2012	2011	Product Code
Conventional General Annuity pre 1992	2.55%	3.52%	390, 395, 400
Conventional Life Assurances	2.24%	2.61%	300, 325, 435
Yearly Renewable Term Assurances	3.33%	5.28%	325, 435
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	2.95%	3.77%	400
Reinsurance Accepted from NP Life Immediate Annuities	2.95%	3.77%	400
Conventional Pensions Immediate Annuities – index linked	2.57%	2.97%	905
Reinsurance Accepted from NP Life Immediate Annuities – index linked	2.57%	2.97%	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	2012	2011	Product Code
Immediate annuities	2.55%	2.70%	395, 905
Deferred annuities	2.45%	2.49%	390
AMPUK Life unit linked	0.40%	0.50%	700, 715, 795
Level immediate annuities	2.95%	3.59%	400
Index-linked immediate annuities	2.57%	2.79%	905
AMPUK Pension unit linked	0.40%	0.70%	725, 745
Policies on maturity	2.15%	2.30%	390
Deferred Annuities	2.45%	3.22%	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

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

The long term average default rates (in basis points), net of an allowance for recovery on default, were:

Credit Rating	Standard (non-subordinated) Debt		
	5 year	10 year	20 year
AAA	4.1	11.2	12.8
AA	20.4	32.0	43.6
A	33.6	46.0	58.7
BBB	79.0	93.9	105.4
BB	251.2	254.2	244.6
B	569.6	481.8	382.5

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

- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank

subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the standard approach.

- For corporate bonds rated below B no value was taken for the yield.
- An additional reserve of £1.9m is held to allow for higher levels of default in the medium term. This is not reflected in the default rates in the table above.

For sovereign debt, the above principles were also applied. Where a sovereign debt holding was rated A or below, or where notching was applied to treat the holding as being rated A or below, default allowances were as per the table above. For sovereign debt holdings rated AA, or notched to AA, default allowances were one-third of those indicated in the above table. For sovereign debt holdings rated AAA no default allowance was made.

(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	2012		2011		Product Code
	Male	Female	Male	Female	
Conventional Life Assurances	116% AMC00	116% AFC00	116% AMC00	116% AFC00	300, 435
Conventional General Annuity Immediate Annuities	109.2% RMV00 Improvements CMI_2009 (1)	106.8% RFV00 Improvements CMI_2009 (1)	106.8% RMV00 Improvements CMI_2009 (1)	111.6% RFV00 Improvements CMI_2009 (1)	395, 400
Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390
Conventional Non Profit post vesting	109.2% RMV00 Improvements CMI_2009 C2028(1)(2)	106.8% RFV00 Improvements CMI_2009 C2026(1)(2)	106.8% RMV00 Improvements CMI_2009 C2028(1)(2)	111.6% RFV00 Improvements CMI_2009 C2026(1)(2)	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)	109.2% RMV00 Improvements CMI_2009 (1)	106.8% RFV00 Improvements CMI_2009 (1)	106.8% RMV00 Improvements CMI_2009 (1)	111.6% RFV00 Improvements CMI_2009 (1)	400, 905
Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390, 435
Conventional Non Profit post vesting	109.2% RMV00 Improvements CMI_2009 C2028(1)(2)	106.8% RFV00 Improvements CMI_2009 C2026(1)(2)	106.8% RMV00 Improvements CMI_2009 C2028(1)(2)	111.6% RFV00 Improvements CMI_2009 C2026(1)(2)	390, 435
Term Assurance non-YRT	122% AMC00(3)	122% AFC00(3)	122% AMC00(3)	122% AFC00(3)	325
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
Reinsurance Accepted from NPLL Immediate Annuities	99.7% RMV00 Improvements CMI_2009 (1)	96.9% RFV00 Improvements CMI_2009 (1)	99.7% RMV00 Improvements CMI_2009 (1)	103.5% RFV00 Improvements CMI_2009 (1)	400, 905
Vestings from London Life With Profit Fund Immediate Annuities	87.8% PMA00 Improvements CMI_2009 (1)	85.5% PFA00 Improvements CMI_2009 (1)	92.6% PMA00 Improvements CMI_2009 (1)	83.1% PFA00 Improvements CMI_2009 (1)	400, 905
Vestings from SERP Immediate Annuities	85.5% RMV00 improvements CMI_2009 (1)	96.9% RFV00 Improvements CMI_2009 (1)	85.5% RMV00 Improvements CMI_2009 (1)	103.5% RFV00 Improvements CMI_2009 (1)	400, 905

Notes:

1. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.
2. CMI Uses C = 2028 for Males and C = 2026 for Females, chosen to approximate U = 2011
3. 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.

PLAL Non Profit Fund

Policies previously written in London Life Limited

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

Product Group	2012		2011		Product Code
	Male	Female	Male	Female	
AMPUK Life unit linked Immediate Annuities	100% A67-70 Ult 87.8% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	100% A67-70 Ult - 4 yrs 85.5% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	100% A67-70 Ult 92.6% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	100% A67-70 Ult - 4 yrs 83.1% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	700, 715, 795 395
Deferred Annuities (pre-vesting) Deferred Annuities (post-vesting)	100% A67-70 Ult - 4 yrs 87.8% PMA00 CMI_2009_M C2032 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	100% A67-70 Ult - 8 yrs 85.5% PFA00 CMI_2009_F C2036 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	100% A67-70 Ult - 4 yrs 92.6% PMA00 CMI_2009_M C2032 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	100% A67-70 Ult - 8 yrs 83.1% PFA00 CMI_2009_F C2036 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	390 390
Immediate Annuities	87.8% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85.5% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	92.6% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	83.1% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	400
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)	87.8% PMA00 CMI_2009_M C2032 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85.5% PFA00 CMI_2009_F C2036 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	92.6% PMA00 CMI_2009_M C2032 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	83.1% PFA00 CMI_2009_F C2036 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	390
AMPUK Pensions unit linked	100% A67-70 Ult	100% A67-70Ult - 4yrs	100% A67-70 Ult	100% A67-70Ult - 4yrs	725, 745

Notes: Where appropriate, additional reserves for the extra mortality that may arise from AIDS has been established. These additional reserves are calculated assuming that the additional mortality will be 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party and apply to male lives only. The additional reserves calculated have all been included within the reserves for the relevant individual product lines

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	23.0	14.0
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	23.0	14.0
Reinsurance Accepted from NPLL Immediate Annuities	23.8	14.6
Vestings from London Life With Profit Fund Immediate Annuities	25.3	15.7
Vestings from SERP Immediate Annuities	25.1	15.8

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	26.1	16.2
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	26.1	16.2
Reinsurance Accepted from NPLL Immediate Annuities	26.9	16.9
Vestings from London Life With Profit Fund Immediate Annuities	27.2	17.2
Vestings from SERP Immediate Annuities	26.9	16.9

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	26.8
Life Immediate Annuities	25.3	15.7		
Pensions Deferred Annuities			28.4	26.8
Pensions Immediate Annuities	25.3	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			30.1	28.7
Life Immediate Annuities	27.2	17.2		
Pensions Deferred Annuities			30.1	28.7
Pensions Immediate Annuities	27.2	17.2		

(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	2012 £pa	2011 £pa	Tax Relief	Code
Life Immediate Annuities	51.57	50.14	0%	400
Pensions Immediate Annuities Pre March 2018	28.00	27.01	0%	400
Pensions Immediate Annuities Post March 2018 (1)	51.57	50.14	0%	400
Life Term Assurance and Conventional Non Profit	60.01	58.34	0%	300
Pensions Term Assurance and Conventional Non Profit	51.57	50.14	0%	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.

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	2012 Bp	2011 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:

Product Group	2012 £pa	2011 £pa	Tax Relief	Product Code
Pension Immediate Annuities	27.83	29.48	0%	400
Level term assurance	13.97	14.74	0%	325
Decreasing term assurance	13.97	14.74	0%	330

LINKED BUSINESS

Product Group	2012 £pa	2011 £pa	Product Code
Life property linked endowment	31.24	33.11	715
Individual pension property linked	31.24	33.11	725
Group money purchase pension property linked	31.24	33.11	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	2012 bps	2011 bps
All conventional business	10	11
All unit linked business ⁽¹⁾	84	84
All conventional business	9	11
All unit linked business ⁽¹⁾	38	38

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	2012	2011
Life Expense inflation	2.9%	2.9%
Pensions Expense inflation	3.4%	3.7%

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.)	
	2012	2011
AMP Unit Linked Pension	2.55%	3.40%
AMP Unit Linked Life	2.50%	3.00%

LINKED AND NON-LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2012	2011
Expense inflation	3.70%	3.60%
Policy fee inflation	2.10%	2.10%

(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)}		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse	14.6%	8.8%	7.8%	7.8%
Decreasing term	Lapse	19.0%	10.0%	10.0%	10.0%

Notes:

1. This table gives the persistency assumptions used in the valuation for the products specified in the instructions in IPRU (INS) for paragraph 4(9) of Appendix 9.4 where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10m and 1% of the total gross mathematical reserves.
2. Where alternative bases are used for the same product, the basis shown is that which is used by at least 50% of the business for that product.

- 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

Age Attained	2012	2011
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 0% 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	2012	2011
UK Life – UK dividend income	0%	0%
UK Life – other income (1)	0%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

- The 2011 tax rate of 20% applied only to business previously written in London Life Limited

(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	1	10
Total	0	1	7	1	10

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.....	£ 1.8 million
Allowance for investment management expenses.....	£ 2.4 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 2012.

(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

Policies previously written in Pearl Assurance Ltd

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves. There is a premium withheld arrangement of £1,363m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £285m worth of assets in USD and £255m worth of assets in Euro.

Policies previously written in London Life Limited

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves. There is a premium withheld arrangement of £573m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £102m worth of assets in USD and £149 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.

Credit default Peak 1 margin provision

This provision has been set up to allow for an additional 5% margin on the default risk rates for Peak 1 purposes.

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

Policies previously written in Pearl Assurance Ltd

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				
Opal Reassurance Ltd	Liability to pay the Basic Annuity.	0	1,357	Yes	Nil	1,288	Nil
Guardian Financial Services	Liability to pay the Basic Annuity.	1,236	0	Yes	Nil	1,160	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.

Guardian Financial Services

- l) The reinsurer is authorised to transact business in the UK.
- m) The reinsurer is not connected to the company.
- n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- o) No commission is payable on the reinsurance premium.
- p) This is not a financing reinsurance treaty.

Policies previously written in London Life Limited

The following table shows the principal reinsurance treaties used:

	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				
Opal Reassurance Limited	Liability to pay the Basic Annuity.	Nil	579	Yes	Nil	540	Nil
Phoenix Life Limited Non Profit Fund	100% reinsurance of unit-linked liabilities	Nil	Nil	No	Nil	12	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 2012.

(2) **Previous Valuation**

The previous valuation date was 31 December 2011.

All of the London Life Limited ("LLL") business was transferred into Pearl Assurance Limited as at 1 July 2012 under Part VII of the Financial Services and Markets Act 2000. At the same time, the name of Pearl Assurance Limited ("PAL") was changed to Phoenix Life Assurance Limited.

Where reference is made to the previous valuation at 31 December 2011 and the interim valuation at 30 June 2012, this refers to the valuations carried out in LLL or PAL at 31 December 2011 and 30 June 2012 respectively.

(3) **Interim Valuations**

An interim valuation was carried out on 30 June 2012.

APPENDIX 9.4A

PEARL WITH-PROFITS FUND

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

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

	Current valuation	Previous valuation
Gross investment return	See below	See below
Risk discount rate	See below	See below
RPI inflation	2.60%	2.62%
Expense inflation	3.20%	3.20%

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) were:

Term (years)	Risk free rate	
	Current valuation	Previous valuation
1	0.32%	0.32%
2	0.43%	0.42%
3	0.60%	0.64%
4	0.80%	0.89%
5	1.01%	1.14%
6	1.22%	1.38%
7	1.43%	1.61%
8	1.63%	1.82%
9	1.82%	2.02%
10	1.99%	2.20%
12	2.31%	2.51%
15	2.70%	2.85%
20	3.18%	3.21%
25	3.49%	3.39%

(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

The table below shows the methods used to calculate the with-profits benefits reserve.

Table of Retrospective and Prospective Methods Used to Calculate the With-Profits Benefits Reserve (£m)			
Product Class	Method used to calculate With-Profits Benefit Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
Conventional With-Profits Industrial Branch business	Retrospective – asset shares	175	110
Conventional With-Profits Ordinary Branch Life business	Retrospective – asset shares 1	571	214
Conventional With-Profits Ordinary Branch Pensions business	Retrospective – asset shares 1	556	703
Direct Unitised Accumulating With-Profits Personal Pensions business	Retrospective – asset shares	2,508	707
Direct Unitised Accumulating With-Profits business other than Personal Pensions	Retrospective – shadow fund	714	243
Reassurance Accepted Unitised Accumulating With-Profits business	Retrospective – shadow fund	161	14
Reassurance Accepted With-Profits Pension Annuity business	Retrospective – shadow fund	63	0
Other business	Not applicable	0	344
Total		4,747	2,335

¹ Asset shares are not calculated for some paid-up policies and the with-profits benefits reserve for such policies is the regulatory reserve.

² The with-profits benefits reserve for annuity business reinsured from London Life is set to the regulatory 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 benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 96.3% of the total with-profits benefit reserve.
- (b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 3.7% of the total with-profits benefit reserve.
- (c) (i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.
- (ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2012 was 184,032. These contracts were grouped into a total of 2,725 model points.
- (iii) The effect of any grouping was tested by comparing the number of contracts, total with-profits benefits reserves, total office premiums and total guaranteed benefits at product line level.

(2) Significant Changes To Valuation Method

- (a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.
- (b) Not applicable.

(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 2012 (£m)	
Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	35.0
Investment expenses	11.5
Total expenses	46.6

¹ Service company charges, plus project and direct costs of £3.8m less payments of £0.8m received for an expense inflation hedge.

(iii) For product lines with the with-profit benefits reserve calculated using "retrospective asset shares", other than Personal Pensions business 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 business calculated using "retrospective – shadow fund", 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 £10.3m.

(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 2012 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2012¹		
Date Applied	IB	OB
01-Jan-12	0.73%	0.79%
01-Jul-12	-0.79%	-1.00%

Smoothing Adjustments Applied to Asset Shares in 2012¹		
Date Applied	IB	OB
01-Jan-12	-0.280%	-0.005%
01-Jul-12	-0.086%	0.020%

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 2011 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2011¹		
Date Applied	IB	OB
01-Jan-11	0.36%	0.35%
01-Jul-11	0.04%	0.28%

Smoothing Adjustments Applied to Asset Shares in 2011¹		
Date Applied	IB	OB
01-Jan-11	-0.442%	-0.082%
01-Jul-11	-0.447%	-0.064%

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
2012	110%
2011	109%
2010	116%
2009	118%
2008	109%

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 2012 was 8.58%.

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 approach.

(b) (i) Not Applicable.

(ii) 100% of the with-profits insurance contracts have been valued on a grouped basis.

(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2012 was 807,564 (comprising 529,792 pension contracts and 277,772 life contracts). These contracts were grouped into a total of 9,640 model points (comprising 2,092 pensions and 7,548 life).

The total number of contracts, total with-profits benefits reserves, total office premiums and total guaranteed benefits for the grouped and ungrouped data were compared at product line level.

(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 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.
- 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.
- 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) The asset models are unchanged in the period from 31 December 2011 to 31 December 2012, and assume that:

- Interest rates follow a two-factor Libor Market Model process.
- Corporate bond spreads follow a Jarrow-Landow-Turnbull process, with defaults following a one-factor Cox-Ingersoll-Ross process.
- All equity processes follow a geometric Brownian motion.

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 Barrie & Hibbert.

The market swaption volatilities were supplied by Barrie & Hibbert.

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 calibration of the credit spread processes was focused on matching the initial spread on an A rated bond of 7 year maturity.

The following tables show the credit spreads over gilts + 10bp and long term volatility targets at 31 December 2012 in basis points:

Corporate Bond Spreads at 31 December 2012				
Term	AAA	AA	A	BBB
1	14	78	114	263
2	30	101	143	290
3	45	117	159	289
5	69	133	169	266
7	84	138	168	241
10	95	137	159	212
15	100	129	145	180
20	99	121	132	158
25	96	114	123	143
30	93	108	115	132

Volatility assumptions for corporate bond spreads (bps)				
Rating	Maturity (years)			
	1	7	10	30
AAA	61	61	50	55
AA	69	69	62	60
A	71	73	63	68
BBB	88	86	82	84

Equity and Property

Five asset classes are modelled as equity-type processes: UK equity index, overseas equity index, UK property index and two hedge fund assets known as "Quant" and "Fundamental". These are modelled as geometric Brownian motions with stochastic drift, which is equated to the stochastic interest rate.

The Economic Scenario Generator (ESG) asset modelling remains in line with the latest Industry practice for UK equity, employing the Stochastic Volatility Jump Diffusion (SVJD) equity model.

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	27.2	23.9	20.6	17.6	15.2	14.0	13.6
	3	27.1	25.1	23.2	21.5	19.8	18.3	17.1
	5	28.0	26.3	24.8	23.4	22.1	21.0	20.1
	7	28.8	27.4	26.1	24.9	23.8	22.7	21.8
	9	29.4	28.2	27.0	26.0	24.0	24.0	23.3

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All other equity type asset classes are modelled using constant volatility. These parameters are shown below:

OS equity volatility	26.43%
Property volatility	30.00%
Quant fund volatility	5.30%
Fundamental volatility	7.10%

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	OS	Property	Interest	Quant	Fundamental
UK equities	1	0.76	0.35	-0.07	0.38	0.47
OS equities		1	0.15	-0.07	0.35	0.48
Property			1	-0.10	0.14	0.36
Interest rates				1	-0.37	-0.47
Quant					1	0.6
Fundamental						1

The volatility and correlation assumptions for standard asset classes are derived from Barrie & Hibbert best estimate assumptions. The correlation assumptions for the two hedge fund asset classes, Quant and Fundamental, are those recommended by Ignis.

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(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, with the exception that for credit, the AA-rated process is used, not the combined credit process used in the base realistic balance sheet.

		FSA Table											
		0.75			1			1.5			2		
n	Duration (n)	5	15	25	35	5	15	25	35	5	15	25	35
r	Annualised compound equivalent of the risk free rate assumed for the period (r)	1.01%	2.70%	3.49%	3.72%	X	X	X	X	X	X	X	X
1	Risk-free zero coupon bond	£950,851	£670,937	£424,044	£278,400	X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	£103,242	£257,719	£347,411	£416,796	£208,709	£404,328	£518,075	£604,953	£535,055	£754,363	£900,636	£1,012,655
3	FTSE All Share Index (p=0.8)	£100,709	£227,095	£273,923	£301,298	£203,724	£357,492	£409,744	£436,512	£522,910	£669,674	£715,382	£736,068
4	Property (p=1)	£123,221	£264,729	£361,516	£437,985	£260,132	£434,001	£544,616	£632,294	£628,145	£826,237	£948,198	£1,046,345
5	Property (p=0.8)	£119,798	£229,426	£281,017	£314,879	£253,987	£380,153	£428,894	£458,641	£615,726	£732,319	£753,933	£766,724
6	15 year risk free zero coupon bond (p=1)	£17,086	£27,718	£24,285	£28,739	£83,995	£95,361	£104,936	£134,402	£498,769	£500,315	£509,742	£533,934
7	15 year risk free zero coupon bond (p=0.8)	£16,127	£20,098	£11,495	£6,673	£79,699	£67,205	£42,997	£35,625	£483,786	£388,225	£296,675	£247,688
8	15 year risk free bonds (p=1)	£22,524	£38,063	£37,458	£41,328	£97,619	£119,039	£123,093	£143,917	£495,115	£493,071	£497,119	£519,153
9	15 year risk free bonds (p=0.8)	£21,304	£28,027	£18,305	£12,727	£93,038	£87,200	£61,702	£48,849	£480,286	£386,061	£295,464	£249,185
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£80,620	£210,882	£289,338	£361,049	£186,646	£351,043	£452,466	£539,483	£538,949	£709,749	£834,019	£933,819
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£78,106	£182,757	£222,934	£252,241	£181,585	£305,040	£347,403	£379,517	£526,058	£622,211	£649,184	£666,105
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	£56,110	£152,819	£219,054	£274,406	£146,317	£279,901	£362,352	£432,088	£500,700	£618,858	£719,022	£805,763
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	£54,299	£128,959	£162,169	£181,797	£141,646	£237,766	£269,920	£290,496	£486,792	£533,157	£541,492	£548,698
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£36,390	£103,542	£152,681	£198,408	£121,900	£219,638	£283,084	£345,435	£500,982	£568,860	£639,823	£709,714
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£34,807	£82,710	£105,036	£118,964	£117,010	£180,234	£197,622	£213,064	£486,634	£478,414	£459,976	£456,325
16	Receiver swaptions	17.08%	9.25%	7.21%	6.21%	18.50%	11.04%	8.93%	7.54%	19.79%	12.73%	10.40%	8.62%
		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) Income yields for each asset class are shown in the following table.

Dividend Yields by Asset Class	
Asset Class	Dividend Yield
UK Equity	2.42%
Property	2.42%
OS Equity	2.29%
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 outstanding term of significant guarantees within material product classes are shown in the following table.

Outstanding term of significant guarantees (years)				
Product Class	GAO / GMP on maturity	Guarantees on maturity	Guarantees on surrender	Mortgage Endowment Promise
Conventional With-profits Life business	N/A	5	N/A	4
Conventional With-profits Pension business	8	9	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	4	N/A	N/A
Non unitised Accumulating With-profits business	N/A	10	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	8	7	6
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

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	105.93%	106.07%	98.57%	92.89%
	10	112.93%	107.39%	99.41%	97.53%
	15	109.58%	101.81%	97.36%	97.08%
	20	96.55%	90.45%	90.91%	89.65%

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 5-15 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 Barrie & Hibbert 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.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 2.17% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 3.61% of these prices.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

(a) The following management actions are assumed when determining the realistic balance sheet:

- Final bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
- Annual bonus rates are set depending on economic conditions
- Differences between the movement in assets backing the basic and GAO guarantees and their corresponding provisions are charged / credited 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.

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- (b) The following tables set out the proportion of the assets backing the with-profits benefit reserve which would consist of equities (UK and non-UK) and annual bonus rates that would be modelled under the three different assumed risk-free curves.

Projected Equity Proportions – Scenarios (i), (ii) and (iii)		
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At 31 December 2012	40.9%	40.9%
(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 31 December 2012	40.9%	40.9%
(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 31 December 2012	40.9%	40.9%
(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%

Projected Annual Bonus Rates – Scenarios (i), (ii) and (iii)

(i) Risk Free Interest Rate Curve				
		31-Dec-12	31-Dec-17	31-Dec-22
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
	Pensions	1.1 / 0.6	1.1 / 0.6	1.1 / 0.6
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0.0	0.0	0.0
	Life	1	1	1
Reassurance Accepted Unitised Accumulating with-profits business	Pensions	1.5	1.5	1.5
	Capital Account	6.85	6.85	6.85

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(ii) Risk Free Interest Rate Curve +17.5% of Long Term Gilt Yield				
		31-Dec-12	31-Dec-17	31-Dec-22
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
	Pensions	1.1 / 0.6	1.1 / 0.6	1.1 / 0.6
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0	0.0	0.0
	Life	1	1	1
Reassurance Accepted Unitised Accumulating with-profits business	Pensions	1.5	1.5	1.5
	Capital Account	6.85	6.85	6.85

(iii) Risk Free Interest Rate Curve -17.5% of Long Term Gilt Yield				
		31-Dec-12	31-Dec-17	31-Dec-22
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
	Pensions	1.1 / 0.6	1.1 / 0.6	1.1 / 0.6
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0	0.0	0.0
	Life	1	1	1
Reassurance Accepted Unitised Accumulating with-profits business	Pensions	1.5	1.5	1.5
	Capital Account	6.85	6.85	6.85

⁽¹⁾ Bonus rates given are the high and low bonus rates.

(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				
		1 to 5	6 to 10	11 to 15	16 to 20
CWP Life business regular premium	PUP	0.5%	0.5%	0.5%	0.5%
CWP Life business regular premium	lapse	2.0%	2.0%	2.0%	2.0%
CWP Life business single premium	lapse	2.0%	2.0%	2.0%	2.0%
CWP Pensions business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
CWP Pensions business regular premium (Note 1)	lapse	0.5%	0.5%	0.5%	0.5%
CWP Pensions business single premium	lapse	0.5%	0.5%	0.5%	0.5%
CWP Industrial Branch business regular premium	PUP	0.0%	0.0%	0.0%	0.0%
CWP Industrial Branch business regular premium	lapse	0.0%	0.0%	0.0%	0.0%
Direct Unitised AWP Personal Pensions business	PUP	4.0%	4.0%	4.0%	4.0%
Direct Unitised AWP Personal Pensions business	lapse	2.5%	2.5%	2.5%	2.5%
Direct UWP Life business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
Direct UWP Life business regular premium	lapse	5.0%	5.0%	5.0%	5.0%
Direct UWP Life business single premium (Note 2)	lapse	5.0%	5.0%	5.0%	5.0%
Direct UWP Pensions business other than Personal Pensions regular premium	PUP	7.0%	7.0%	7.0%	7.0%
Direct UWP Pensions business other than Personal Pensions regular premium	lapse	2.5%	2.5%	2.5%	2.5%
Direct UWP Pensions business other than Personal Pensions single premium	lapse	2.5%	2.5%	2.5%	2.5%
Direct UWP business ISA and Bonus Account	PUP	3.0%	3.0%	3.0%	3.0%
Direct UWP business ISA and Bonus Account	lapse	10.0%	10.0%	10.0%	10.0%
Reassurance Accepted Unitised AWP Life Business	lapse	8.8%	8.8%	8.8%	8.8%

PEARL WITH-PROFITS FUND

Reassurance Accepted with-profits Pensions business - Personal Pension Plan	lapse	5.7%	5.7%	5.7%	5.7%
Reassurance Accepted with-profits Pensions business - Flexible Income Plan	lapse	7.9%	7.9%	7.9%	7.9%

- (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)	115.0%RMV00	112.5%RFV00

(1) Improvements CMI_2009 [3.0% for ages up to age 60, reducing linearly down to 0% from age 110]

Annuity Rate Guarantee Take-up rate Assumptions		
Tax free cash percentage	Self Employed Deferred Annuity	21%
	Other Deferred Annuity	14%
Take-up rate	Self Employed Deferred Annuity	100%
	Other Deferred Annuity	100%

(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

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 2012 (£m)	
Liability	Value
Pensions misselling	322
Other misselling provisions	0
Value of future profits from direct unitised accumulating with-profits business	(10)
Value of future shareholder transfers from direct unitised accumulating with-profits business	30
Investment return tax and investment expenses	13
Value of investment fees	11
Value of future tax charges levied	56
Additional liability for expenses	9
Other additional liabilities	51
Total	482
Form 19 Line 47	482

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 £3,674m and the following table gives a breakdown.

Current liabilities at 31 December 2012 (£m)	
Liability	Value
Outstanding claims	57
Other provisions	13
Creditors	3,587
Accruals and deferred income	16
Direct Insurance Business	0
Deferred tax liability	0
Total Realistic Current liabilities	3,674
Provision for "reasonably foreseeable adverse variations"	9
Total Regulatory Current Liabilities	3,683

10. Risk Capital Margin

(a) The risk capital margin at 31 December 2012 was zero.

The most onerous scenario is that which combines:

(i) 20% fall in equity values; 12.5% fall in property values (25% was used to allow for gearing)

(ii) 17.5% rise in yield curve for UK assets, equivalent to a 0.41% nominal increase in the long term gilt yield. US bond yields are increased by 0.37%. Eurozone bond yields are increased by 0.32%.

(iii) The average change in spreads for non-credit exempt bonds was +158 basis points when weighted by value (this would be +137 basis points if weighted by value and duration), resulting in 7.95% fall in bond asset value.

(iv) The persistency risk scenario resulted in under 0.27% increase in the realistic value of liabilities.

(v) Not applicable.

(b)

(i) No additional management actions to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.

(ii) Not applicable.

(iii) Not applicable.

(iv) Not applicable.

(c)

(i) Not applicable.

(ii) Not applicable.

11. Tax

The following tax treatment has been assumed:

(i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates are 20% on savings income and indexed capital gains (before allowance for deferral of gains) and nil on franked income. Tax relief on expenses is assumed to be 20%.

(ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.

(iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

Broad type of derivative	Description	Details	Market value (000 '£)	Nominal value (000 '£)
	Overseas Bond			
Future	Futures	Long	1,070	276,042
Future	UK Bond Futures	Long	359	173,861
	Overseas Bond			
Future	Futures	Short	(150)	219,305
Future	UK Bond Futures	Short	(108)	22,008
Swap	UK Interest Rate Swap	Receiver	383,162	1,487,924
Swap	UK Interest Rate Swap	Payer	(464,245)	1,974,919
Swap	Non UK Interest Rate Swap	Receiver	14,802	164,384
Swap	Non UK Interest Rate Swap	Payer	(54,435)	400,723
Swap	Inflation indexed swaps	Receiver of RPI	982	10,000
	Credit Default Swaps (Credit Index/Basket)			
Swap	Credit Default Swaps (Credit Index/Basket)	Long	(3,448)	4,055
	Credit Default Swaps (Credit single name)			
Swap	Credit Default Swaps (Credit single name)	Short	(134)	3,974
	Credit Default Swaps (Credit single name)			
Swap	Credit Default Swaps (Credit single name)	Long	46	4,785
	Equity index			
Future	Futures	Long	(245)	23,158
	Equity index			
Future	Futures	Short	(279)	46,021
	Currency			
Currency Forwards	Currency Forwards	Short	6,255	1,381,755
	Currency			
Currency Forwards	Currency Forwards	Long	(1,412)	533,046
	Total Return			
Total Return Swap	Total Return Swap		(10,140)	643,713
Swaption	15 year term	Receiver	112,801	508,200
Swaption	20 year term	Payer	3,517	428,526

13. Analysis of Working Capital

Analysis of Movement in Working Capital (£m)	
With-Profits Fund Working Capital at 31 December 2011	£m
Undo zeroisation to Opening Working Capital	865
Opening Adjustments	43
Methodology Changes	7
Investment return on opening Working Capital	16
Economic assumption changes	9
Non economic assumption changes	(17)
Economic variances	156
Other Economic variances	37
Non economic variance	2
Guarantee charges and Estate distribution	(70)
Unexplained	(4)
Planned Enhancements	(1,045)
Reported Working Capital at 31 December 2012	0.0

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 asset shares are calculated by accumulating the premiums paid at the investment return applicable to the with-profit fund, less the expenses incurred. Deductions are made for tax where applicable. An adjustment is made for the expected death strains or surpluses where applicable. No other "miscellaneous" surpluses are credited to the asset shares as these accrue to the estate.

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	514	869

(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) 100% of the with-profits benefits reserve 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 2012.
- (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 2012:

Product Class	Maintenance expenses, £m	Investment management expenses, £m
Conventional with-profit pensions	2.2	0.5

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 £0.7 million were deducted from the with-profit benefits reserves during the financial year. Smoothing charges of £1.0 million were deducted from the with-profit benefits reserves during the previous 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 ratio of the total claims paid on with-profit insurance contracts to the with-profit benefits reserves plus (or minus) any past miscellaneous surplus (or deficit) attributed to those claims was 215% for 2012. The corresponding ratio was 194% for 2011 and 186% for 2010.

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profit benefits reserve in respect of the financial year was 7.43%. For the valuation as at the end of 2011, the investment return (before tax and expenses) allocated to the with-profit benefit reserve was 0.79%.

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) None.

(ii) 100% of the with-profits insurance contracts for which costs have been valued have been valued on a grouped basis.

(iii) The individual policies have been grouped in a manner consistent with the methods used in practice to determine reversionary and terminal bonuses

The following table sets out the grouping criteria:

Product class	Grouping Criteria
Conventional with-profits pensions	Entry year, maturity year, age at maturity and premium payment type

In total there are 41,104 individual policies and members of group schemes, which have been grouped together into 1,752 model points.

The grouping is validated by comparing the cost of guarantees from the business using grouped data with those obtained using the individual policy data.

(a) 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) The asset model assumes that:

The asset model used was the Barrie & Hibbert market consistent asset model which assumes that:

The interest rate calibration process is as follows:

- Interest rates follow an annual LIBOR market model on gilts + 10 basis points.
- The initial yield curve is a direct input to the LIBOR Market Model. The model calibration is based on the market spot rates and swaption volatilities. The interest rate volatilities are calibrated to swaption implied volatilities. The fitting method is weighted least squares over the swaption volatility surface.
- It is not currently possible to observe meaningful option prices for the property market from which implied levels of property volatility can be derived. A real world estimate of levels of volatilities has therefore been used in the market-consistent calibration. Ideally, the volatility parameter would be set to reflect the prices of long-term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. As property returns are calculated in excess of the short-term interest rate, the stochastic interest rate model introduces a term structure of implied volatility (even though the excess volatility is fixed).
- The corporate bond process is calibrated using real world unconditional estimates of long term transition probabilities, spread volatilities and corporate bond spreads at 31 December 2012. To fit the model, the fit is targeted to the average duration of 10 years with the spread of 92 basis points which reflects the average rating and duration on the bonds in the actual portfolio.

The correlation assumptions used are listed in the table below. These assumptions are set based on historic data on the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

Correlation factors between asset classes				
	Equity	Property	Government bonds	Nominal short-rate
Equities	100%	35%	17%	-7%
Property		100%	10%	-10%

(iii) The following table shows the annualised compound equivalent of the risk free rate assumed for each duration and values derived from the asset model of specified assets/options:

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n	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	5	15	25	35	
r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	1.03%	2.70%	3.48%	3.71%													
1	Risk-free zero coupon bond	£950,274	£670,985	£425,508	£279,051													
2	FTSE All Share Index (p=1)	£109,033	£258,762	£363,707	£441,709	£213,752	£406,106	£540,536	£632,926	£545,669	£756,259	£931,179	£1,042,630					
3	FTSE All Share Index (p=0.8)	£106,494	£228,291	£287,975	£321,941	£208,728	£359,212	£428,651	£462,109	£533,395	£670,921	£745,333	£766,008					
4	Property (p=1)	£34,654	£107,279	£184,748	£245,703	£138,523	£242,546	£340,627	£416,271	£519,717	£617,327	£723,927	£810,324					
5	Property (p=0.8)	£32,663	£83,999	£123,985	£147,561	£133,013	£196,596	£240,089	£263,085	£506,051	£524,383	£536,595	£541,460					
6	15 year risk free zero coupon bonds (p=1)	£18,906	£24,661	£19,671	£26,079	£84,817	£93,353	£97,608	£131,077	£500,608	£499,601	£507,206	£531,366					
7	15 year risk free zero coupon bonds (p=0.8)	£17,893	£17,467	£8,476	£4,587	£80,408	£63,956	£37,345	£32,936	£485,446	£387,520	£293,239	£245,900					
8	15 year corporate bonds (p=1)	£21,849	£34,401	£34,591	£45,440	£93,623	£116,340	£122,690	£153,951	£500,481	£501,674	£509,333	£535,143					
9	15 year corporate bonds (p=0.8)	£20,680	£24,286	£16,785	£13,003	£89,107	£84,030	£58,483	£53,632	£485,339	£394,220	£304,155	£261,969					
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£68,227	£178,875	£268,462	£341,585	£163,780	£313,360	£430,215	£518,986	£520,304	£662,176	£805,102	£912,140					
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£66,131	£152,982	£201,546	£233,701	£158,867	£268,943	£327,067	£360,295	£506,805	£574,259	£623,546	£645,187					
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£58,894	£155,845	£229,911	£298,348	£149,268	£261,099	£380,791	£464,279	£510,639	£622,270	£749,062	£845,998					
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£57,006	£131,944	£169,500	£198,610	£144,420	£239,400	£284,112	£315,817	£496,481	£535,529	£569,028	£584,816					
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£32,554	£94,575	£146,033	£198,868	£114,343	£205,906	£282,434	£352,142	£504,113	£557,788	£644,640	£724,823					
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£31,081	£75,728	£98,168	£116,501	£109,591	£167,317	£193,259	£214,320	£489,309	£463,999	£463,991	£467,788					
16	Receiver swaptions	17.64%	9.35%	7.26%	6.14%	19.46%	11.17%	9.02%	7.43%	20.91%	12.91%	10.52%	8.38%					

The credit model used to determine the realistic balance sheet is implemented within the ALM. This model includes bonds based on the duration of the liabilities and the average credit quality of the corporate bond portfolio; it does not have the functionality to reproduce the corporate bonds returns required for the above table (i.e. all bond holdings have a rolling duration of 15 years and all corporate bond holdings are AA-rated). The credit model in the ALM is driven by a credit risk driver from the ESG's credit model, and the underlying credit model behind both the ESG and the ALM is the extended version of the Jarrow, Lando and Turnbull (JLT) model. Hence we have used output from the credit model in the ESG to produce the results in the above table.

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- (iv) The initial property rental yield for the UK is 4.3%.
- (v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.
- (vi) The average outstanding durations of significant guarantees by main product type are shown in the table below:

Product class	Outstanding duration of guarantees (years)
Conventional with-profits pensions	23

The fit of the asset model to specimen swaptions and put options is demonstrated below:

Ratio of simulated swaption values to pseudo swaption prices				
Option maturity	Swap length			
	10 years	15 years	20 years	30 years
10 years	107.51%	101.54%	96.56%	92.16%
15 years	104.29%	98.30%	96.27%	93.40%

Note: The figures are based on swaptions consistent with the gilts + 10bp risk free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

The table above demonstrates that the scenarios can be used to reproduce market prices of swaptions at the average outstanding durations of significant guarantees.

(vii) It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. In a market-consistent model, the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (the "one=one" test). The observed error was small and the scenarios are considered to have passed the no-arbitrage test. There is no material drift in the corporate bond martingale test

(viii) In addition the validation process performed a further test to check that the market prices of relevant traded instruments can be replicated. This validation test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for swaptions and the initial yield curve. The observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. It is not possible to illustrate the fit of the property scenarios to market data; however, the fit of the property volatility assumption has also been validated. 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 SERP With-Profits Fund guarantee costs converge well within 2000 scenarios, from which we can conclude that 2000 scenarios are sufficient.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) No management action assumptions have been applied.
- (b) Not applicable.

(6) Persistency Assumptions

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The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product	Average lapse / surrender / paid up rate for the policy years All durations
CWP Pension regular premium PUP	0.00%
CWP Pension regular premium Surrender	0.70%
CWP Pension single premium Surrender	0.70%

Investigations 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 60, when the guarantees first become available.

Some separate realistic and regulatory valuation sensitivity runs were performed which indicated that assuming earlier retirement is prudent. Hence, the stochastic model assumes for SERP business that all policyholders retire at age 70, unless they are already older, when they are assumed to retire at age 75. The early retirement rates assumed are:

Age	Realistic, Best estimate
60	50.00%
65	80.00%
70	100.00%

The annuitant mortality assumptions used are:

Male lives: 102% RMV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

Female lives: 102% RFV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

(7) Policyholders' Actions

The guarantees are currently in the money, and have been so for a number of years. Therefore the persistency assumptions in (6) are appropriate and no additional policyholder actions are warranted.

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

The amount in Form 19 line 47 represents the liability in respect of the potential amount of future investment expenses charged to estate, and a £136.9 million liability in respect of repayment of support fund to shareholders.

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 £255.3 million, 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 2012. The shareholder value of £136.9 million 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 £27.7 million leaving £109.2 million of shareholder value.

The most onerous scenario for the SERP With-Profits Fund is that which combines:

- (i) The percentage changes in the market value of equities and real estate for the purposes of the market risk scenario for UK assets were 20% and 12.5% respectively. A fall in the market value of these assets was the more onerous in each case.

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 0.41%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.32%. 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 with-profit sub fund's assets was 70 basis points.

- (a) The change in value for the with-profit sub fund bond assets was a 1.80% decrease in asset value.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.
- (e) The decrease in value for the with-profit sub fund other assets was 0.0%.

- (iv) The persistency risk scenario resulted in a 0.25% increase in the realistic value of liabilities.

- (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.

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- (c)
- (i) Not applicable.
 - (ii) Not applicable.

11. Tax

No tax is assumed on pensions business.

12. Derivatives

The fund holds a number of sterling receiver swaptions executed with UBS AG and payer swaptions executed with Deutsche Bank. The table below contains a summary of the trades.

Security name	Notional amount £s	Pay/Receive	Strike level %	Maturity date	Expiry date
UBS	17,500,000	Receive	6.00	20/03/2014	20/03/2029
UBS	17,500,000	Receive	6.00	20/06/2014	20/06/2029
UBS	17,500,000	Receive	6.00	22/09/2014	22/09/2029
UBS	17,500,000	Receive	6.00	22/12/2014	22/12/2029
UBS	20,000,000	Receive	6.00	20/03/2015	20/03/2030
UBS	20,000,000	Receive	6.00	22/06/2015	22/06/2030
UBS	20,000,000	Receive	6.00	21/09/2015	21/09/2030
UBS	20,000,000	Receive	6.00	21/12/2015	21/12/2030
UBS	27,000,000	Receive	6.00	21/03/2016	21/03/2031
UBS	27,000,000	Receive	6.00	20/06/2016	20/06/2031
UBS	27,000,000	Receive	6.00	20/09/2016	20/09/2031
UBS	27,000,000	Receive	6.00	20/12/2016	20/12/2031
UBS	8,200,000	Receive	4.82	20/03/2013	20/03/2028
UBS	8,200,000	Receive	4.81	20/06/2013	20/06/2028
UBS	8,200,000	Receive	4.80	20/09/2013	20/09/2028
UBS	8,200,000	Receive	4.79	20/12/2013	20/12/2028
UBS	6,500,000	Receive	4.77	20/03/2014	20/03/2029
UBS	6,500,000	Receive	4.76	20/06/2014	20/06/2029
UBS	6,500,000	Receive	4.75	19/09/2014	19/09/2029
UBS	6,500,000	Receive	4.74	19/12/2014	19/12/2029
UBS	5,550,000	Receive	4.73	20/03/2015	20/03/2030
UBS	5,550,000	Receive	4.72	19/06/2015	19/06/2030
UBS	5,550,000	Receive	4.71	18/09/2015	18/09/2030
UBS	5,550,000	Receive	4.70	18/12/2015	18/12/2030
Deutsche Bank	21,580,000	Pay	6.00	22/12/2013	22/12/2028
Deutsche Bank	21,580,000	Pay	6.00	22/06/2013	22/06/2028
Deutsche Bank	21,580,000	Pay	6.00	22/03/2013	22/03/2028
Deutsche Bank	21,580,000	Pay	6.00	22/09/2013	22/09/2028

The fund holds a number of interest rate receiver and payer swaps executed with UBS, Deutsche Bank, Goldman Sachs and RBS. The table below contains a summary of the trades.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
UBS	-130,600,000	Pay	4.60	16/12/2015
UBS	-348,700,000	Pay	4.49	16/12/2020
UBS	12,688,000	Receive	4.62	17/12/2014
UBS	-68,288,000	Pay	4.62	17/12/2014
Deutsche Bank	50,000,000	Receive	5.40	06/08/2027
Deutsche Bank	155,000,000	Receive	6.05	22/06/2015
Deutsche Bank	208,000,000	Receive	5.69	21/06/2022
Deutsche Bank	69,000,000	Receive	5.49	21/06/2027
RBS	-16,800,000	Pay	4.05	07/11/2039
RBS	-62,500,000	Pay	4.01	07/03/2036
RBS	-7,300,000	Pay	3.89	07/12/2046
Goldman Sachs	-10,600,000	Pay	3.84	07/12/2049

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Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
Goldman Sachs	-13,600,000	Pay	3.95	07/03/2036

The fund holds a number of total return bond swaps executed with Morgan Stanley, Barclays Capital and RBS, which are summarised in the table below.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
Barclays Capital	62,000,000	Receive	4.25	17/04/2013
Morgan Stanley	-7,900,000	Pay	4.25	13/05/2013
Barclays Capital	11,200,000	Receive	4.25	11/06/2013
Morgan Stanley	17,200,000	Receive	4.25	12/07/2013
RBS	13,900,000	Receive	4.25	18/07/2013

The fund holds a number of RPI swaps executed with Deutsche Bank. These are summarised in the table below:

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
Deutsche Bank	1,077,000	Pay	3.07	20/06/2013
Deutsche Bank	875,000	Pay	3.07	20/06/2014
Deutsche Bank	710,000	Pay	3.07	20/06/2015
Deutsche Bank	573,000	Pay	3.07	20/06/2016
Deutsche Bank	459,000	Pay	3.07	20/06/2017
Deutsche Bank	364,000	Pay	3.07	20/06/2018
Deutsche Bank	287,000	Pay	3.07	20/06/2019
Deutsche Bank	224,000	Pay	3.07	20/06/2020
Deutsche Bank	173,000	Pay	3.07	20/06/2021
Deutsche Bank	131,000	Pay	3.07	20/06/2022
Deutsche Bank	99,000	Pay	3.07	20/06/2023
Deutsche Bank	73,000	Pay	3.07	20/06/2024
Deutsche Bank	52,000	Pay	3.07	20/06/2025
Deutsche Bank	37,000	Pay	3.07	20/06/2026
Deutsche Bank	26,000	Pay	3.07	20/06/2027
Deutsche Bank	18,000	Pay	3.07	20/06/2028
Deutsche Bank	12,000	Pay	3.07	20/06/2029
Deutsche Bank	8,000	Pay	3.07	20/06/2030
Deutsche Bank	5,000	Pay	3.07	20/06/2031
Deutsche Bank	3,000	Pay	3.07	20/06/2032
Deutsche Bank	2,000	Pay	3.07	20/06/2033
Deutsche Bank	1,000	Pay	3.07	20/06/2034

The fund holds a number of currency swaps executed with Credit Suisse and UBS. These are summarised in the table below:

Security name	Nominal amount £s	Currencies involved	Maturity date
UBS	4,671,444	Buy GBP and Sell EUR	20/03/2013
UBS	81,243	Buy GBP and Sell EUR	20/03/2013
Credit Suisse	277,758	Buy GBP and Sell USD	20/03/2013

13. Analysis of Working Capital

The following table sets out the significant movements in the working capital, shown in Form 19 line 68, from 31 December 2011 to 31 December 2012.

	£million
Working capital at 31 December 2011	0
Expected investment return on fund	6
Non economic assumption changes	(6)
Economic variances	11
Capital transfer	28
Other experience variance	0
Unexplained	(5)
Shareholder liability	(35)
Working capital at 31 December 2012	0

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**(1) Calculation Of With-Profits Benefits Reserve**

(a), (b), (c) See Table 3.1.

With-Profits Benefits Reserve and Value of Future Policy Related Liabilities (£m)

Product Class	Method used to Calculate With-Profits Benefits Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
<i>Life With-Profits</i>			
AMP(UK) Life	Retrospective – asset shares ¹	95	13
Fund P	Prospective – bonus reserve valuation	53	(1)
Fund R	Retrospective – asset shares ¹	67	3
Fund T	Retrospective – asset shares ¹	5	0

With-Profits Benefits Reserve and Value of Future Policy Related Liabilities (£m)

Product Class	Method used to Calculate With-Profits Benefits Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
<i>Pension With-Profits</i>			
AMP(UK) Pensions	Retrospective – asset shares ¹	45	35
Fund V (GAO)	Retrospective – asset shares ¹	105	75
Fund V (No GAO)	Retrospective – asset shares ¹	113	16
Fund W	Retrospective – asset shares ¹	75	8
	Prospective – bonus reserve valuation ²		
All Funds ³	N/A		88
Total	N/A	558	237

¹ Asset shares are not calculated for paid-up policies and therefore the with-profits benefits reserve for such policies is based on a bonus reserve valuation.

² For immediate annuities in Fund W a prospective bonus reserve method is used to calculate the with-profits benefits reserve.

³ Relates to the cost of capital and financing costs.

(2) Correspondence With Form 19

Not applicable.

(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) 100% of the with-profits benefits reserve that has been calculated using a retrospective method has been valued on an individual basis.
- (b) Zero.
- (c) Not applicable.

(2) Significant Changes To Valuation Method

- (a) Not applicable.
- (b) Not applicable.

(3) Expense Allocation

The Scheme of Transfer (“the Scheme”), effected immediately before the demutualization of AMP (effective 1 January 1998), specifies the calculation basis for determining the aggregate expenses to be charged to the with-profits sub-funds in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the with-profits sub-funds if deemed appropriate by the Phoenix Life Assurance Limited London Life With-Profits Actuary. The aggregate expenses charged to the with-profits sub-funds 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 2012.
- (b) The calculation of the expenses chargeable to the fund is performed annually.
- (c) (i) and (ii) See Table 4.1.

Table 4.1**Expenses Allocated to With-Profits Benefits Reserve during 2012 (£m)**

Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	2.6
Investment fees on excess assets (£m)	1.9
Total expenses	4.5

¹ Includes project expenses of £0.26m.

- (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.

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- (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 £1.9m.

(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 table 4.2 below.

Year	Payout Ratio
2012	112%
2011	109%
2010	114%
2009	110%
2008	108%

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profits benefits reserve for conventional with-profits business during the second half of 2012 was approximately 1.9% and 2.6% for active and passive funds respectively. The investment return (before tax and expenses) allocated to the with-profits benefits reserve for unitised with-profits business during the second half of 2012 was 5.4%.

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.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

(a), (c) Table 5.1 below shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method. However, it should be noted that claim values are determined using projected terminal bonus rates which, in line with actual practice, are based on asset shares for premium paying policies, i.e. the with-profits benefits reserves calculated using the prospective method do not affect the overall level of realistic liabilities, but do affect the split between the with-profits benefits reserve and the costs of guarantees and smoothing.

Assumption	Value	Note
Gilt return	1.7%	Annualised yield on UK 10 year gilt at 31 December 2012
Cash return	1.7%	Gilt return
Other fixed interest	1.7%	Gilt return
Equity return	4.7%	Gilt return plus 3.0% margin
Property return	3.7%	Gilt return plus 2.0% margin
Risk discount rate ("A")	2.8%	Weighted average gross investment return – 'active' investment pool (gross)
Risk discount rate ("P")	1.7%	Weighted average gross investment return – 'passive' investment pool (gross)
Expense inflation (LWP)	3.1%	
Expense inflation (PWP)	2.9%	

(b) The risk discount rates in Table 5.1 are based on the weighted average investment return at 31 December 2012 of the assets backing the liabilities for which a prospective method is used to calculate the with-profits benefits reserve. Two risk discount rates are shown as the assets of the WP Fund are split into two pools of managed assets – one active and one passive. The relevant pool of assets depends on the nature of the liabilities for which they provide backing (and whether asset shares are likely to determine future payouts).

(d) See Table 5.2 (annual bonus rates).

Product Class	Annual Bonus Rate
Fund W – immediate annuities	7% simple
Fund W – cost of vesting deferred annuities	0% simple
Fund P – 68 th and earlier series (current rate) ¹	3%
Fund P – 69 th series and later (current rate) ¹	2%
Fund P – all series (ultimate) ²	2%
UWP Bond Life	2% rate on Basic Units, 4% rate on Bonus Units
UWP Pensions	2.5% rate on Basic Units, 5% rate on Bonus Units
All other product classes	0%

¹ For Fund P, the policy was designed such that premiums are extinguished after about 10 years. Thereafter a net cash bonus is payable each year, which is

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guaranteed not to reduce. The annual declaration is the rate of increase in the cash bonus.

² This is the rate applicable from year 2 onwards. The current rates reduce over the next 2 years to reach the ultimate rate.

For product classes where a prospective method is used to calculate the with-profits benefits reserve, the future assumed final bonus rates are based on the bonus declaration applicable as at the valuation date, and as detailed in section 10 of Appendix 9.4. The assumed glidepath follows a linear reduction over five years to zero.

- (e) See Tables 5.3 and 5.4 for the expenses assumptions used. No future charges for guarantee costs, smoothing costs, etc were assumed when deriving the with-profits benefit reserves.

Table 5.3

With-Profit Maintenance Expense Assumptions (£) ¹

Product Class	Per policy expenses £
<i>Life With-Profits</i>	
AMP (UK) Life	37.90
Conventional Life (Funds P, R, T)	37.10
<i>Pensions With-Profits</i>	
AMP (UK) Pensions	37.90
Endowments (Fund V ICL)	41.90
Deferred Annuities (V ICL)	41.90
Pension Protector (V ICL)	41.90
APEX WP (V ICL)	0.248%
VIPMIG, VIP PLUS	93.60
BIGVIP, POLMIG, GRPAVC	93.60
RPPMIG, PPS, MINPPS	93.60
PPP, SPPP, FSAVC	93.60
EPP	93.60
SPP	53.80
Fund W (Deferred Annuities)	41.90
Fund W (Immediate Annuities)	41.90

¹ The expenses are gross of tax relief at 20% (BLAGAB business). Future expenses are assumed to increase by RPI plus 0.50% on 1 January each year. These expense figures reflect the expense assumptions prior to any model pointing adjustment.

TABLE 5.4

Investment Expense Assumptions (basis points)

With-profits fund	14
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(f) See Table 5.5. Note that there is no differentiation by duration for any with-profits product group.

table 5.5**Lapse Assumptions**

Product Class	Long-term
Fund V: "Old" Fund V(IBM), i.e. BIGVIP, GRPAVC, POLMIG, RPPMIG (with GAO), VIPMIG(OLD) ²	3.00%
FUND V(ICL)	2.50%
AMP (UK) Pensions	2.25%
Fund V: "New" Fund V(IBM), i.e. MINNPSS, PPS, PPSTV, VIPPLUS, RPPMIG (without GAO), VIPMIG(NEW) ¹	3.00%
Fund R, AMP (UK) Endowments & Whole of Lives	3.00%
Funds P and T	1.00%
Funds W	0.00%

¹ VIPMIG(NEW) are members of VIP Schemes who are on VIPPLUS (as opposed to VIPMIG(OLD)) pricing terms.

(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) The cost of all guarantees, options and smoothing have been calculated using a full stochastic model approach.

(b) (i) Not applicable.

(b) (ii) 100% of the with-profits insurance contracts for which costs have been valued have been valued on a grouped basis.

(b) (iii) Contracts are grouped at homogeneous benefit level and then grouped either by year of entry and year of birth or by year of entry and year of maturity. For the former, the data is further grouped into 5 year age bands.

The total number of with-profits contracts in force at 31 December 2012 was approximately 43,300 (comprising 20,600 pensions contracts and 22,700 life contracts. These contracts were grouped into 17,600 model points (comprising 14,200 pensions and 3,400 life).

For each product line, the effect of any grouping was tested by comparing the statutory reserves calculated for the (grouped) model points with the actual statutory reserves (i.e. as used for the statutory valuation). The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level. Also, a stochastic run was completed on 1 year maturity bands and was found to be immaterially different to the 5 year maturity bands.

(c) Not applicable.

(3) Significant Changes

Not applicable.

(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 well in-the-money.

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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) The model assumes that:

- Interest rates follow a two-factor Libor Market Model process.
- Corporate bond spreads follow a Jarrow-Landow-Turnbull process, with defaults following a one-factor Cox-Ingersoll-Ross process.
- Equity and property returns follow a geometric Brownian motion.

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 Barrie & Hibbert.

The market swaption volatilities were supplied by Barrie & Hibbert.

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 calibration of the credit spread processes was focused on matching the initial spread on an A rated bond of 7 year maturity.

Table 6.1 shows the credit spreads over gilts + 10bp at 31 December 2012 in basis points.

Term	AAA	AA	A	BBB
1	14	78	114	263
2	30	101	143	290
3	45	117	159	289
5	69	133	169	266
7	84	138	168	241
10	95	137	159	212
15	100	129	145	180
20	99	121	132	158
25	96	114	123	143
30	93	108	115	132

The volatilities assumed are shown in table 6.2.

Rating	Maturity (years)			
	1	7	10	30
AAA	61	61	50	55
AA	69	69	62	60
A	71	73	63	68
BBB	88	86	82	84

The volatilities assumed are provided by Barrie & Hibbert.

Equity and Property

Two asset classes are modelled as equity-type processes: UK equity index and UK property index. These are modelled as geometric Brownian motions with stochastic drift, which is equated to the stochastic interest rate.

The Economic Scenario Generator (ESG) asset modelling remains in line with the latest industry practice for UK equity, employing the Stochastic Volatility Jump Diffusion (SVJD) equity model.

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	27.2	23.9	20.6	17.6	15.2	14.0	13.6	
	3	27.1	25.1	23.2	21.5	19.8	18.3	17.1	
	5	28.0	26.3	24.8	23.4	22.1	21.0	20.1	
	7	28.8	27.4	26.1	24.9	23.8	22.7	21.8	
	9	29.4	28.2	27.0	26.0	25.0	24.1	23.3	
	10	29.6	28.4	27.3	26.3	25.4	24.5	23.8	

Property follows a constant volatility model, parameter 15%.

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The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields. Table 6.4 shows the correlations.

Table 6.4
Correlation factors between asset classes

	Long Dated Bonds	Equity Index	Property Index
Long Dated Bonds	100%		
Equity Index	-4%	100%	
Property Index	-10%	35%	100%

The volatility and correlation assumptions are derived from Barrie & Hibbert best estimate assumptions.

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(iii) Table 6.5 shows the simulated values of specific options and / or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception – for credit spreads, the AA-rated process is used, not the combined credit process used in the realistic balance sheet.

K	FSA Table													
	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)	1.02%	2.70%	3.49%	3.73%	X	X	X	X	X	X	X	X		
Risk-Free Zero Coupon Bond	£950,747	£670,846	£424,216	£277,926	X	X	X	X	X	X	X	X		
FTSE All Share Index (p=1)	£107,624	£261,334	£367,478	£438,021	£212,108	£410,641	£541,663	£627,973	£539,373	£768,053	£923,340	£1,029,656		
FTSE All Share Index (p=0.8)	£105,043	£230,278	£292,671	£317,386	£207,077	£363,293	£431,330	£457,944	£527,306	£681,778	£740,119	£758,532		
Property (p=1)	£30,949	£106,014	£186,635	£247,021	£133,298	£240,336	£340,832	£413,937	£522,217	£611,297	£718,844	£803,252		
Property (p=0.8)	£29,184	£82,995	£126,214	£149,859	£127,650	£194,974	£241,445	£263,764	£508,430	£518,027	£533,728	£535,673		
15yr Risk-Free ZCBs (p=1)	£21,292	£25,348	£25,465	£26,430	£88,882	£90,521	£107,230	£130,915	£501,718	£500,407	£514,994	£532,830		
15yr Risk-Free ZCBs (p=0.8)	£20,265	£18,763	£12,576	£5,395	£84,597	£61,993	£44,746	£32,941	£486,703	£388,310	£302,337	£246,034		
15yr Corporate Bonds (p=1)	£26,066	£34,480	£46,841	£53,190	£101,492	£115,642	£139,606	£158,913	£498,147	£498,177	£521,401	£542,923		
15yr Corporate Bonds (p=0.8)	£24,812	£24,959	£24,510	£18,157	£96,972	£82,914	£73,088	£61,227	£483,314	£391,049	£317,427	£266,232		
Portfolio 1 (p=1)	£68,119	£180,988	£273,215	£338,244	£163,517	£317,214	£433,703	£513,921	£514,749	£669,041	£805,376	£900,201		
Portfolio 1 (p=0.8)	£65,947	£155,030	£205,972	£231,761	£158,666	£272,048	£331,256	£356,395	£501,600	£581,208	£624,673	£696,173		
Portfolio 2 (p=1)	£59,037	£158,528	£237,263	£291,866	£150,716	£286,023	£389,422	£455,527	£506,082	£630,777	£748,902	£835,187		
Portfolio 2 (p=0.8)	£57,162	£134,802	£175,074	£195,010	£145,982	£243,287	£292,598	£308,513	£492,385	£542,997	£572,158	£575,803		
Portfolio 3 (p=1)	£35,103	£95,266	£152,695	£198,379	£117,846	£208,023	£289,181	£347,651	£500,460	£562,083	£650,512	£719,130		
Portfolio 3 (p=0.8)	£33,592	£76,676	£103,228	£116,779	£113,082	£168,391	£199,427	£213,076	£485,912	£468,864	£469,982	£461,029		
Sterling Receiver Swaptions	17.34%	9.09%	7.21%	6.43%	18.91%	10.86%	8.95%	7.79%	20.30%	12.54%	10.43%	8.79%		
		Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years				

Notes:

(1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

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(iv) The equity dividend yield and property rental yield parameters are modelled deterministically, with parameters as in table 6.6.

Asset Class	Income yield
Equity	2.42%
Property	2.42%

(v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.

(vi) The outstanding durations of significant guarantees within material product classes are shown in Table 6.7.

Product Class	Duration of Guarantees
Life Compound Bonus, Fund R	18
AMP (UK) Life	14
Pension Compound Bonus (GAO)	4
AMP (UK) Pension	7
Pension Compound Bonus (no GAO)	8
Pension Simple Bonus	3
Total WP Fund	10

The fit of the asset model to specimen swaptions is demonstrated below in Table 6.8.

		Swap length			
		5	10	20	30
Option maturity	5	103.56%	108.05%	102.94%	96.63%
	10	113.77%	108.95%	98.85%	94.50%
	15	110.54%	104.82%	97.46%	94.73%
	20	102.79%	97.84%	95.18%	91.75%

Table 6.8 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 5-15 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

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- (vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert 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.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 2.30% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 3.62% of these prices.

- (b) Not applicable.

- (c) Not applicable.

(5) Management Actions

- (a) No management action assumptions have been applied.
- (b) Table 6.9 sets out the equity backing ratio (for the with-profits benefit reserve) and annual bonus rates that would be modelled under 3 different assumed risk-free curves.

table 6.9**Projected Equity Backing Ratios and Annual Bonus Rates – Scenarios i, ii, iii**

	Equity Backing Ratio			Future Annual Bonus Rates	
	UWP	CWP Life (AMP / R & T)	CWP Pensions	UWP Bond Life	UWP Pensions
(j) Risk free interest rate curve - At 31 December 2012	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(i) Risk free interest rate curve - End 5 years	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(i) Risk free interest rate curve - End 10 years	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2012	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(ii) Risk free interest rate curve + 17.5% - End 5 years	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(ii) Risk free interest rate curve + 17.5% - End 10 years	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(iii) Risk free interest rate curve – 17.5% - At 31 Decemebr 2012	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(iii) Risk free interest rate curve – 17.5% - End 5 years	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%
(iii) Risk free interest rate curve – 17.5% - End 10 years	50%	13.33% / 38.85%	0%	2% / 4%	2.5% / 5%

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in Table 6.10 (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.

TABLE 6.10

Average lapse rate for the policy years		1- 5	6-10	11-15	16-20
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PUP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business single premium – Fund R and AMP (UK) Life	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business regular premium – Fund P and T	PUP	1.00%	1.00%	1.00%	1.00%
Conventional With-profits Life business regular premium – Fund P and T	PP	1.00%	1.00%	1.00%	1.00%
Conventional With-profits Life business single premium – Fund P and T	PP	1.00%	1.00%	1.00%	1.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) ¹	PUP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) ¹	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business single premium – Fund V (GAO) ¹	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PUP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business single premium – Fund V (no GAO)	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PUP	2.25%	2.25%	2.25%	2.25%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PP	2.25%	2.25%	2.25%	2.25%
Conventional With-profits Pensions business single premium – Fund AMP (UK) Pensions	PP	2.25%	2.25%	2.25%	2.25%
Conventional With-profits Pensions business regular premium – Fund W	PUP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business regular premium – Fund W	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business single premium – Fund W	PP	0.00%	0.00%	0.00%	0.00%

¹ Except V(ICL) which has a lapse rate of 2.5%.

Only a small proportion of London Life (Funds R, T & V) & AMPUK business experience any PuPs; the most significant of these being Fund R. The paid-up assumptions do not vary across policy durations, and are shown in Table 6.11.

TABLE 6.11

Average paid-up rate for the policy years		1-5	6-10	11-15	16-20
		Conventional With-profits Life business regular premium – Fund R	PUP	1.00%	1.00%

The annuitant mortality and take-up rate assumptions are shown in Tables 6.12 and 6.13 respectively.

**Table 6.12
Annuitant Mortality Assumptions**

	Males	Females
Annuitant mortality	92.5% PCMA00 CMI_2009_M at C=2032 [3% to age 60, reducing linearly to 0% from age 110]	90% PCFA00 CMI_2009_F at C=2036 [3% to age 60, reducing linearly to 0% from age 110]

**Table 6.13
GAO Take Up Rate Assumptions**

	Normal Retirement	Early Retirement	Terminal Bonus ¹
Fund V (excluding POLMIG, GRPAVC)	80%	80%	80%
POLMIG, GRPAVC	10% if yields > 4%, else 75%	10% if yields > 4%, else 75%	10% if yields > 4%, else 75%
AMP (UK)	77%	77%	77%
Fund R	0%	0%	0%
Fund T	0%	0%	0%

¹ This is the take up rate assumption made for the purposes of setting terminal bonus rates.

(7) Policyholders' Actions

Assumptions for foreseeable policyholder actions are potentially needed for the take-up of GAO benefits, MVA free dates on UWP policies and MVA free withdrawals on UWP policies. London Life has only a very small amount of UWP business and on materiality grounds this is not explicitly modelled. As such the only assumption that falls into this category is the take-up rate for GAO benefits. Table 6.13 shows the assumptions made, which apply in all scenarios where the GAO benefit is valuable to the policyholder.

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

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 in Table 8.1.

Liability	LLWP (£m)
Investment Management Expenses ¹	1.911
Additional Basic Rate Tax ²	2.563
Value of future shareholder transfers	-
Mortgage Endowment Mis-selling	0.015
Additional Reserves ³	2.254
Total	6.74

¹ The value of future investment expenses on assets over and above asset share (i.e. deducted from asset share).

² Basic rate tax on assets in excess of asset share in respect of Life business (i.e. not deducted from asset share).

³ Reserves for expense inflation and investment management expenses. no provisions have been included in respect of 'Any other liabilities related to regulatory & to treat customers fairly'.

9. Realistic Current Liabilities

The realistic current liabilities at 31 December 2012 stood at £429.1m, which is £1.9m lower than the regulatory current liabilities at the same date, due to an additional provision for adverse deviations appearing in the regulatory liabilities.

Total Current Liabilities	(£m)
Realistic	429.1
Regulatory	430.9
Difference	-1.9

The realistic current liabilities are made up of:	(£m)
for outstanding claims	5.1
in respect of other risks and charges;	0.0
in respect of tax	1.9
in respect of other creditors and accruals & deferred income	422.0
in respect of deposits received from reinsurers for direct business	0.0
in respect of deposits received from reinsurers on unsecured debentures	0.0
Amounts owed to credit institutions	0.0
	429.1

10. Risk Capital Margin

(a) The risk capital margin for London Life at 31 December 2012 is zero.

The most onerous scenario for London Life (i.e. the one which reduces the financing costs the most) is that which combines:

- A fall in equity and property values;
- A rise in interest rates; and
- A fall in persistency.

(i) 20.0% fall in equity values; 12.5% fall in property values.

(ii) A 17.5% change in the yield curve (UK assets), equivalent to a 0.41% nominal change in the long term gilt yield.

(iii) (a) The average change in spreads for bonds was 0.91% weighted by value (which translates to 0.92% when weighted by value and duration), resulting in a 9.59% 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.

LONDON LIFE WITH-PROFITS FUND

- (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 average change in persistency experience (weighted by realistic value of liabilities) expressed as an annual percentage is 32.5%, which corresponds with a reduction in the average lapse rate (weighted by realistic value of liabilities) from 2.3% per annum to 1.6% per annum. This change in persistency resulted in a 0.61% increase in the realistic value of liabilities (excluding financing costs).
- (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.
(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

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

Broad type of derivative	Description	Details	Market value (£)	Nominal value (£)
Future	Interest rate future	Short	(26,338)	5,346,513
Swap	Interest Rate Swap	Long	25,451,421	919,488,435
Swap	Interest Rate Swap	Short	(27,707,490)	169,542,969
Swap	Inflation rate swap	Short	162,282	12,482,000
Future	Equity index Futures	Long	(23,200)	13,567,360
Future	Equity index Futures	Short	8,200	4,795,360
Currency Forwards	Currency Forwards	Short	2,559	33,301,356
Currency Forwards	Currency Forwards	Long	(23,819)	95,868,082
Total Return Swap	Total Return Swap	Long	(1,621,865)	28,500,000
Swaption	Interest Rate Swaption	Payer	1,034,846	444,610,000

13. Analysis of Working Capital

Table 13.1 describes the significant movements in the working capital of the with profits fund from the preceding financial year.

table 13.1
Analysis of Working Capital

	LLWP
Working Capital as at 31 December 2011	0
Undo zeroisation to Opening working capital	0
Opening Adjustment	0
Expected Return	0
Investment Management	10
Insurance Management	3
Capital Movements	65
Other	1
Other Long-Term Insurance Liabilities/Financing Costs	-79
Working Capital at 31 December 2012	0

¹ Financing costs are described within 10(a) above.

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 2012

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year ended 31 December 2012

1. a) During the year, K J Arnott held 244 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan. He also held options to subscribe for 59,471 shares in PGH granted under the Company's Long Term Incentive Plan.

b) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2012 was £419,372.

c) K J 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 the Accounts and Statements Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

Note 1

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

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PHOENIX LIFE ASSURANCE LIMITED

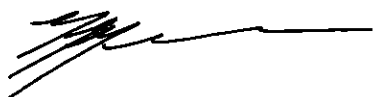
Global Business

Financial year ended 31 December 2012

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 waivers in supplementary notes 0101 and 0202; 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 and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

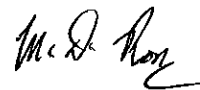
2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the 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) we have, in preparing the return, taken and paid due regard to-
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



M J Merrick
Chief Executive



A Moss
Director



M D Ross
Director

Date: 18 March 2013

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 2012

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 Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 1 to 3, 11 to 20, 22 to 24, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) 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 directions issued under section 148 of the Act referred to in supplementary notes 0101 and 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:

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 2012

(continued)

- 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.

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 20 March 2013. 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

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

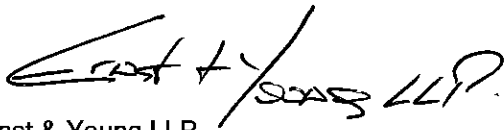
PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2012

(continued)

- (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.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed name.

Ernst & Young LLP

Statutory Auditor

London

2 March 2013