# Phoenix Life Limited

**Annual PRA Insurance Returns for the year ended**

**31 December 2013**

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

# Contents

**Form 2**

**Statement of solvency - long-term insurance business**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Adjusted solo solvency calculation | |

| | Company registration number | GL/ UK/ CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| R2 | 1016269 | GL | 31 | 12 | 2013 | £000 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| **Capital resources** | | | |
| Capital resources arising within the long-term insurance fund | 11 | 3559746 | 3642386 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 593742 | 830963 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 4153488 | 4473348 |
| **Guarantee fund** | | | |
| Guarantee fund requirement | 21 | 319241 | 386901 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 3834247 | 4086447 |
| **Minimum capital requirement (MCR)** | | | |
| Long-term insurance capital requirement | 31 | 937157 | 1124233 |
| Resilience capital requirement | 32 | | |
| Base capital resources requirement | 33 | 3146 | 2984 |
| Individual minimum capital requirement | 34 | 937157 | 1124233 |
| Capital requirements of regulated related undertakings | 35 | 6855 | 12157 |
| Minimum capital requirement (34+35) | 36 | 944013 | 1136390 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 3681482 | 3660217 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 3445479 | 3621056 |
| **Enhanced capital requirement** | | | |
| With-profits insurance capital component | 39 | 2514580 | 2557233 |
| Enhanced capital requirement | 40 | 3458593 | 3693623 |
| **Capital resources requirement (CRR)** | | | |
| Capital resources requirement (greater of 36 and 40) | 41 | 3458593 | 3693623 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 694896 | 779725 |
| **Contingent liabilities** | | | |
| Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14 | 51 | | |

**Form 3**
**(Sheet 1)**

## Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

| | Company registration number | GL/ UK/ CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| R3 | 1016269 | GL | 31 | 12 | 2013 | £000 |

| | | General insurance business<br>1 | Long-term insurance business<br>2 | Total as at the end of this financial year<br>3 | Total as at the end of the previous year<br>4 |
|---|---|---|---|---|---|
| **Core tier one capital** | | | | | |
| Permanent share capital | 11 | | 69088 | 69088 | 69088 |
| Profit and loss account and other reserves | 12 | | 884175 | 884175 | 942503 |
| Share premium account | 13 | | 546 | 546 | 546 |
| Positive valuation differences | 14 | | 2879169 | 2879169 | 2883187 |
| Fund for future appropriations | 15 | | 623828 | 623828 | 578898 |
| Core tier one capital in related undertakings | 16 | | (146) | (146) | (3376) |
| Core tier one capital (sum of 11 to 16) | 19 | | 4456660 | 4456660 | 4470846 |
| **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 | | 4456660 | 4456660 | 4470846 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | 219562 | 219562 | 242435 |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | | | |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | 219562 | 219562 | 242435 |
| **Total tier one capital after deductions (31-37)** | 39 | | 4237098 | 4237098 | 4228412 |

**Form 3**
**(Sheet 2)**

**Components of capital resources**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

| | Company registration number | GL/ UK/ CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| R3 | 1016269 | GL | 31 | 12 | 2013 | £000 |

| | | General insurance business 1 | Long-term insurance business 2 | Total as at the end of this financial year 3 | Total as at the end of the previous year 4 |
|---|---|---|---|---|---|
| **Tier two capital** | | | | | |
| Implicit items, (tier two waivers and amounts excluded from line 22) | 41 | | | | |
| Perpetual non-cumulative preference shares excluded from line 25 | 42 | | | | |
| Innovative tier one capital excluded from line 27 | 43 | | | | |
| Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43) | 44 | | | | |
| Perpetual cumulative preference shares | 45 | | | | |
| Perpetual subordinated debt and securities | 46 | | 200000 | 200000 | 395000 |
| Upper tier two capital in related undertakings | 47 | | | | |
| **Upper tier two capital (44 to 47)** | 49 | | 200000 | 200000 | 395000 |
| Fixed term preference shares | 51 | | | | |
| Other tier two instruments | 52 | | | | |
| Lower tier two capital in related undertakings | 53 | | | | |
| **Lower tier two capital (51+52+53)** | 59 | | | | |
| **Total tier two capital before restrictions (49+59)** | 61 | | 200000 | 200000 | 395000 |
| Excess tier two capital | 62 | | | | |
| Further excess lower tier two capital | 63 | | | | |
| **Total tier two capital after restrictions, before deductions (61-62-63)** | 69 | | 200000 | 200000 | 395000 |

**Form 3**
**(Sheet 3)**

**Components of capital resources**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

| | Company registration number | GL/ UK/ CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| R3 | 1016269 | GL | 31 | 12 | 2013 | £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 | | 4437098 | 4437098 | 4623412 |
| Inadmissible assets other than intangibles and own shares | 73 | | 70710 | 70710 | 40289 |
| Assets in excess of market risk and counterparty limits | 74 | | 212900 | 212900 | 109775 |
| 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 | | 4153488 | 4153488 | 4473348 |
| **Available capital resources for GENPRU/INSPRU tests** | | | | | |
| Available capital resources for guarantee fund requirement | 81 | | 4153488 | 4153488 | 4473348 |
| Available capital resources for 50% MCR requirement | 82 | | 4153488 | 4153488 | 4228412 |
| Available capital resources for 75% MCR requirement | 83 | | 4153488 | 4153488 | 4473348 |
| **Financial engineering adjustments** | | | | | |
| Implicit items | 91 | | | | |
| Financial reinsurance - ceded | 92 | | | | |
| Financial reinsurance - accepted | 93 | | | | |
| Outstanding contingent loans | 94 | | | | |
| Any other charges on future profits | 95 | | | | |
| Sum of financial engineering adjustments (91+92-93+94+95) | 96 | | | | |

Form 11

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

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Long term insurance business

| | Company registration number | GL/ UK/ CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| **R11** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** |

| | | | This financial year 1 | Previous year 2 |
|---|---|---|---|---|
| Gross premiums written | | **11** | 19409 | 14481 |
| Premiums taxes and levies (included in line 11) | | **12** | | |
| Premiums written net of taxes and levies (11-12) | | **13** | 19409 | 14481 |
| 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** | 19409 | 14481 |
| Gross premiums earned | | **21** | 19409 | 14481 |
| Premium taxes and levies (included in line 21) | | **22** | | |
| Premiums earned net of taxes and levies (21-22) | | **23** | 19409 | 14481 |
| 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** | 19409 | 14481 |
| **Sub-total I (higher of sub-total A and sub-total H)** | | **30** | 19409 | 14481 |
| **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** | 3494 | 2607 |
| | Excess (if any) over 61.3M EURO x 0.02 | **33** | | |
| **Sub-total J (32-33)** | | **34** | 3494 | 2607 |
| Claims paid in period of 3 financial years | | **41** | 115198 | 125458 |
| Claims outstanding carried forward at the end of the 3 year period | For insurance business accounted for on an underwriting year basis | **42** | 280981 | 340368 |
| | For insurance business accounted for on an accident year basis | **43** | | |
| Claims outstanding brought forward at the beginning of the 3 year period | For insurance business accounted for on an underwriting year basis | **44** | 370187 | 385677 |
| | For insurance business accounted for on an accident year basis | **45** | | |
| **Sub-total C (41+42+43-44-45)** | | **46** | 25992 | 80149 |
| Amounts recoverable from reinsurers in respect of claims included in Sub-total C | | **47** | 10423 | 47607 |
| **Sub-total D (46-47)** | | **48** | 15569 | 32542 |
| **Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)** | | **49** | 0.60 | 0.50 |
| **Premiums amount (Sub-total J x reinsurance ratio)** | | **50** | 2093 | 1303 |
| Provision for claims outstanding (before discounting and net of reinsurance | | **51** | 132249 | 143917 |
| 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** | 8813 | 9590 |
| Greater of lines 50 and 53 | | **54** | 8813 | 9590 |

Form 12

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

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Long term insurance business

| | Company registration number | GL/UK/CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| **R12** | **1016269** | **GL** | **31** | **12** | **2013** | **£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** | 115198 | 125458 |
| Claims outstanding carried forward at the end of the reference period | For insurance business accounted for on an underwriting year basis | **22** | 280981 | 340368 |
| | For insurance business accounted for on an accident year basis | **23** | | |
| Claims outstanding brought forward at the beginning of the reference period | For insurance business accounted for on an underwriting year basis | **24** | 370187 | 385677 |
| | For insurance business accounted for on an accident year basis | **25** | | |
| Claims incurred in reference period (21+22+23-24-25) | | **26** | 25992 | 80149 |
| Claims incurred for classes 11, 12 or 13 (included in 26) | | **27** | | |
| Claims incurred for "actuarial health insurance" (included in 26) | | **28** | | |
| **Sub-total E (26 +1/2 27 - 2/3 28)** | | **29** | 25992 | 80149 |
| **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** | 8664 | 26716 |
| Division of sub-total F (gross adjusted claims amount) | x 0.26 | **32** | 2253 | 6946 |
| | Excess (if any) over 42.9M EURO x 0.03 | **33** | | |
| **Sub-total G (32-33)** | | **39** | 2253 | 6946 |
| **Claims amount Sub-total G x reinsurance ratio (11.49)** | | **41** | 1349 | 3473 |
| Higher of premiums amount and brought forward amount (11.54) | | **42** | 8813 | 9590 |
| **General insurance capital requirement (higher of lines 41 and 42)** | | **43** | 8813 | 9590 |

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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 | 1016269 | GL | 31 | 12 | 2013 | £000 | 1 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Land and buildings | | 11 | | |
| **Investments in group undertakings and participating interests** | | | | |
| UK insurance dependants | Shares | 21 | | 956 |
| | Debts and loans | 22 | | |
| Other insurance dependants | Shares | 23 | 188567 | 183018 |
| | Debts and loans | 24 | | |
| Non-insurance dependants | Shares | 25 | 3051 | 3045 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | 170224 | 212900 |
| 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 | 403126 | 509521 |
| Rights under derivative contracts | | 44 | | 74565 |
| Fixed interest securities | Approved | 45 | | 3966 |
| | Other | 46 | | |
| Variable interest securities | Approved | 47 | | |
| | Other | 48 | | |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | | |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | | |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **1** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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** | 3524 | 5093 |
| | due in more than 12 months | **79** | | |
| **Other assets** | | | | |
| Tangible assets | | **80** | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | **81** | 5033 | 63683 |
| Cash in hand | | **82** | | |
| Other assets (particulars to be specified by way of supplementary note) | | **83** | | |
| Accrued interest and rent | | **84** | 413 | 1556 |
| Deferred acquisition costs (general business only) | | **85** | | |
| Other prepayments and accrued income | | **86** | | 42 |
| Deductions from the aggregate value of assets | | **87** | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | **89** | 773937 | 1058346 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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 | 1016269 | GL | 31 | 12 | 2013 | £000 | 1 |

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

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 773937 | 1058346 |
| Admissible assets in excess of market and counterparty limits | 92 | 103231 | 52984 |
| Inadmissible assets directly held | 93 | 194289 | 206502 |
| Capital resources requirement deduction of regulated related undertakings | 94 | 6855 | 12157 |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | 582 | 660 |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | (604) | 3376 |
| 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 | | (816) |
| 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 | 1078292 | 1333210 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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

| | Company registration number | GL/UK/CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 10 |

| | | | As at end of this financial year | As at end of the previous year |
|---|---|---|---|---|
| | | | 1 | 2 |
| Land and buildings | | 11 | 283087 | 387974 |
| **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 | 33970 | 133336 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | 181739 | 224808 |
| Participating interests | Shares | 29 | 532039 | 488496 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 91716 | 141893 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 17220584 | 18939977 |
| Rights under derivative contracts | | 44 | 1254504 | 2077722 |
| Fixed interest securities | Approved | 45 | 8326796 | 9741373 |
| | Other | 46 | 385062 | 329060 |
| Variable interest securities | Approved | 47 | 921855 | 882737 |
| | Other | 48 | 117027 | 161603 |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | 15767 | 16082 |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | 4510 | 5427 |
| Other loans | | 53 | 1789299 | 1682829 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 3839 | 1493 |
| | More than one month withdrawal | 55 | 76 | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | 795087 | 784246 |
| | Property linked | 59 | 10679537 | 10140186 |

Form 13
(Sheet 2)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 10 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 12323 | 5416 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | 38992 | 69366 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 243403 | 257972 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 156934 | 225537 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 112817 | 129936 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 54477 | 55834 |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 43255441 | 46883304 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 10 |

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

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 43255441 | 46883304 |
| Admissible assets in excess of market and counterparty limits | 92 | 109669 | 56790 |
| Inadmissible assets directly held | 93 | 69273 | 46888 |
| 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 | 11941 | (1672) |
| Deferred acquisition costs excluded from line 89 | 99 | 26241 | 36185 |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 3050993 | 6760965 |
| Other asset adjustments (may be negative) | 101 | 48156 | (9060) |
| 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 | 46571713 | 53773400 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **100% With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 11 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 4446 | 3079 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 335 | 512 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 65581 | 66254 |
| Rights under derivative contracts | | 44 | 3585 | 876 |
| Fixed interest securities | Approved | 45 | 28596 | 35172 |
| | Other | 46 | 31 | |
| Variable interest securities | Approved | 47 | 320 | 400 |
| | 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 | 55 | 55 |
| Other loans | | 53 | 3368 | 2653 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Category of assets | **100% With-Profits Fund** |

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 11 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 1 | 2 |
| | 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 | 409 | 850 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 89 | 163 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 295 | 398 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | | |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 107109 | 110412 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **100% With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 11 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 107109 | 110412 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 5 | 29 |
| 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 | 142 | 153 |
| Other asset adjustments (may be negative) | 101 | | (3) |
| 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 | 107255 | 110591 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Category of assets | **Non-Profit Fund** |

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 12 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Land and buildings | | 11 | 121453 | 130073 |
| **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 | 33970 | 43781 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | 181739 | 224808 |
| Participating interests | Shares | 29 | | |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 19791 | 17185 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 3552525 | 3665643 |
| Rights under derivative contracts | | 44 | 362148 | 368803 |
| Fixed interest securities | Approved | 45 | 824328 | 820896 |
| | Other | 46 | 363070 | 310559 |
| Variable interest securities | Approved | 47 | 313353 | 319204 |
| | Other | 48 | 55180 | 126612 |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | 15747 | 15821 |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | 454 | 569 |
| Other loans | | 53 | 135617 | 159582 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 3839 | 1200 |
| | More than one month withdrawal | 55 | 76 | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | 523763 | 484578 |
| | Property linked | 59 | 10667788 | 10122789 |

**Form 13**
**(Sheet 2)**

## Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Non-Profit Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R13** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **12** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Reinsurers' share of technical provisions** | | | | |
| Provision for unearned premiums | | **60** | | |
| Claims outstanding | | **61** | | |
| Provision for unexpired risks | | **62** | | |
| Other | | **63** | | |
| **Debtors and salvage** | | | | |
| Direct insurance business | Policyholders | **71** | 9838 | 3825 |
| | Intermediaries | **72** | | |
| Salvage and subrogation recoveries | | **73** | | |
| Reinsurance | Accepted | **74** | | |
| | Ceded | **75** | 27070 | 59839 |
| Dependants | due in 12 months or less | **76** | | |
| | due in more than 12 months | **77** | | |
| Other | due in 12 months or less | **78** | 73361 | 16225 |
| | due in more than 12 months | **79** | | |
| **Other assets** | | | | |
| Tangible assets | | **80** | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | **81** | 42014 | 165356 |
| Cash in hand | | **82** | | |
| Other assets (particulars to be specified by way of supplementary note) | | **83** | | |
| Accrued interest and rent | | **84** | 27051 | 28388 |
| Deferred acquisition costs (general business only) | | **85** | | |
| Other prepayments and accrued income | | **86** | 33159 | 32690 |
| Deductions from the aggregate value of assets | | **87** | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | **89** | 17387334 | 17118426 |

Form 13
(Sheet 3)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Non-Profit Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 12 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 17387334 | 17118426 |
| Admissible assets in excess of market and counterparty limits | 92 | 109669 | 56790 |
| Inadmissible assets directly held | 93 | 39545 | 40385 |
| 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 | 2100 | 53281 |
| Deferred acquisition costs excluded from line 89 | 99 | 26241 | 36185 |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 1428977 | 4901044 |
| Other asset adjustments (may be negative) | 101 | 48156 | 31868 |
| 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 | 19042021 | 22237980 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **90% With-Profits Fund**

| | Company registration number | GL/UK/CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 13 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 4470 | |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 362 | 1 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 74543 | 91131 |
| Rights under derivative contracts | | 44 | 3831 | 294 |
| Fixed interest securities | Approved | 45 | 40281 | 46538 |
| | Other | 46 | 49 | |
| Variable interest securities | Approved | 47 | 1996 | 2914 |
| | 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 | 1921 | 2170 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **90% With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 13 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 17 | 49 |
| | 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 | 1317 | 1638 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 354 | 409 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 416 | 501 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | | |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 129558 | 145643 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **90% With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 13 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>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**

| | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 129558 | 145643 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 266 | 18 |
| 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 | 6 | 7 |
| Other asset adjustments (may be negative) | 101 | | (372) |
| 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 | 129829 | 145296 |

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

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic Industrial Branch Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 14 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 7454 | 6593 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 914 | 1215 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 205373 | 247966 |
| Rights under derivative contracts | | 44 | 9243 | 3267 |
| Fixed interest securities | Approved | 45 | 148458 | 161494 |
| | Other | 46 | 151 | |
| Variable interest securities | Approved | 47 | 21791 | 23313 |
| | 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 | 1 | 1 |
| Other loans | | 53 | 31867 | 27867 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

Form 13
(Sheet 2)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic Industrial Branch Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 14 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 56 | 78 |
| | 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 | 2833 | 10141 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 147 | 847 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 2038 | 2590 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | | |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 430325 | 485371 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic Industrial Branch Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 14 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>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**

| | | 1 | 2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 430325 | 485371 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 1429 | 1194 |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | | |
| Other asset adjustments (may be negative) | 101 | | (325) |
| 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 | 431754 | 486240 |

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

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 15 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Land and buildings | | 11 | 104528 | 102035 |
| **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 | | 7189 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | | |
| Participating interests | Shares | 29 | 136543 | 84589 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 30025 | 56398 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 3039702 | 3041131 |
| Rights under derivative contracts | | 44 | 192495 | 211929 |
| Fixed interest securities | Approved | 45 | 1324561 | 1500989 |
| | Other | 46 | 2878 | 1075 |
| Variable interest securities | Approved | 47 | 158246 | 132916 |
| | 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 | 77 | 265 |
| Other loans | | 53 | 272893 | 212655 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 15 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 118 | 111 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | 54 | 66 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 26289 | 66366 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 3836 | 9997 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 16860 | 16772 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | | |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 5309107 | 5444483 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 15 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 5309107 | 5444483 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 2440 | 2175 |
| 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 | 9841 | 113 |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 1232 | 1233 |
| Other asset adjustments (may be negative) | 101 | | (11143) |
| 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 | 5322621 | 5436860 |

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

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Phoenix With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 16 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Land and buildings | | 11 | 57106 | 140141 |
| **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 | 81052 | 100307 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 9355 | 1308 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 2741231 | 3114377 |
| Rights under derivative contracts | | 44 | 154382 | 417542 |
| Fixed interest securities | Approved | 45 | 1672274 | 2018522 |
| | Other | 46 | 3350 | 2122 |
| Variable interest securities | Approved | 47 | 91696 | 72917 |
| | Other | 48 | 11000 | 26891 |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | 20 | 261 |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | 51 | 153 |
| Other loans | | 53 | 446503 | 363877 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | 292 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | 213083 | 236292 |
| | Property linked | 59 | 4222 | 3771 |

Form 13
(Sheet 2)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Phoenix With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 16 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 1147 | 130 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | 915 | |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 18060 | 35897 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 47614 | 3489 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 19203 | 23621 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 11034 | 11275 |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 5583298 | 6573185 |

Form 13
(Sheet 3)

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Category of assets | **Phoenix With-Profits Fund** |

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 16 |

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

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 5583298 | 6573185 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 9082 | 814 |
| 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 | 136463 | 140104 |
| Other asset adjustments (may be negative) | 101 | | (5729) |
| 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 | 5728843 | 6708374 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Alba With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 17 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Land and buildings | | 11 | | 15725 |
| **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 | 38857 | 35657 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 2168 | 3404 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 800221 | 999012 |
| Rights under derivative contracts | | 44 | 21617 | 30372 |
| Fixed interest securities | Approved | 45 | 689382 | 858550 |
| | Other | 46 | 616 | 3082 |
| Variable interest securities | Approved | 47 | 131978 | 134087 |
| | Other | 48 | 2587 | |
| 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 | 1249 | 1439 |
| Other loans | | 53 | 193522 | 182187 |
| 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 | 5710 | 11997 |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Category of assets | **Alba With-Profits Fund** |

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 17 |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Reinsurers' share of technical provisions** | | | | |
| Provision for unearned premiums | | 60 | | |
| Claims outstanding | | 61 | | |
| Provision for unexpired risks | | 62 | | |
| Other | | 63 | | |
| **Debtors and salvage** | | | | |
| Direct insurance business | Policyholders | 71 | 46 | 59 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | 10954 | 9450 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 4007 | 45025 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 4170 | 4973 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 7644 | 9136 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 825 | 623 |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 1915554 | 2344777 |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Alba With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 17 |

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

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 1915554 | 2344777 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 2119 | 587 |
| 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 | | (55066) |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 1303277 | 1529254 |
| Other asset adjustments (may be negative) | 101 | | (4956) |
| 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 | 3220950 | 3814597 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Scottish Mutual With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 18 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 62058 | 40834 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 7270 | 9961 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 1704002 | 2026040 |
| Rights under derivative contracts | | 44 | 246796 | 350445 |
| Fixed interest securities | Approved | 45 | 782532 | 830940 |
| | Other | 46 | 705 | 620 |
| Variable interest securities | Approved | 47 | 97007 | 81546 |
| | 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 | 203822 | 163976 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Scottish Mutual With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 18 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | | 5 |
| | 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 | 75580 | 34639 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 13319 | 6704 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 8844 | 9795 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | | |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 3201935 | 3555506 |

Form 13
(Sheet 3)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Scottish Mutual With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 18 |

| | | 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 | 3201935 | 3555506 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 1688 | 129 |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | | |
| Other asset adjustments (may be negative) | 101 | | (3380) |
| 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 | 3203623 | 3552255 |

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

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SPI With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 19 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | | 82366 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | | |
| Participating interests | Shares | 29 | 95419 | 65179 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 8825 | 15262 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 1824922 | 2133969 |
| Rights under derivative contracts | | 44 | 216013 | 263750 |
| Fixed interest securities | Approved | 45 | 718612 | 787950 |
| | Other | 46 | 427 | 351 |
| Variable interest securities | Approved | 47 | 12505 | |
| | 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 | 444 | 488 |
| Other loans | | 53 | 182319 | 138714 |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Category of assets | **SPI With-Profits Fund** |

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R13** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **19** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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** | 654 | 681 |
| | 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** | 18466 | 1117 |
| | due in more than 12 months | **79** | | |
| **Other assets** | | | | |
| Tangible assets | | **80** | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | **81** | 23258 | 28366 |
| Cash in hand | | **82** | | |
| Other assets (particulars to be specified by way of supplementary note) | | **83** | | |
| Accrued interest and rent | | **84** | 8099 | 9767 |
| Deferred acquisition costs (general business only) | | **85** | | |
| Other prepayments and accrued income | | **86** | | |
| Deductions from the aggregate value of assets | | **87** | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | **89** | 3109962 | 3527960 |

Form 13
(Sheet 3)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SPI With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 19 |

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

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 3109962 | 3527960 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 6555 | 571 |
| 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 | 3745 | 3745 |
| Other asset adjustments (may be negative) | 101 | | (14984) |
| 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 | 3120262 | 3517292 |

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

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SAL With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R13** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **20** |

| | | | 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 | 101741 | 152258 |
| | Debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 12670 | 36648 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 3212484 | 3554455 |
| Rights under derivative contracts | | 44 | 44394 | 430445 |
| Fixed interest securities | Approved | 45 | 2097773 | 2680321 |
| | Other | 46 | 13786 | 11252 |
| Variable interest securities | Approved | 47 | 92965 | 115439 |
| | Other | 48 | 48260 | 8100 |
| 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 | 2180 | 2458 |
| Other loans | | 53 | 317467 | 429150 |
| 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 | 58241 | 63376 |
| | Property linked | 59 | 1816 | 1629 |

Form 13
(Sheet 2)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SAL With-Profits Fund**

| | Company registration number | GL/UK/CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 20 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 445 | 477 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | 11 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 23078 | 46074 |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 22134 | 5233 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 22367 | 28968 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 9458 | 11247 |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | 6081259 | 7577540 |

Form 13
(Sheet 3)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SAL With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 20 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | 6081259 | 7577540 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 6146 | 987 |
| 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 | 14198 | 10263 |
| Other asset adjustments (may be negative) | 101 | | (37) |
| 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 | 6101603 | 7588752 |

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

Form 13
(Sheet 1)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **NPI With-Profits Fund**

| | Company registration number | GL/UK/CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 21 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>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 | | |
| Rights under derivative contracts | | 44 | | |
| Fixed interest securities | Approved | 45 | | |
| | Other | 46 | | |
| Variable interest securities | Approved | 47 | | |
| | Other | 48 | | |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | | |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | | |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Category of assets | **NPI With-Profits Fund** |

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 21 |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Reinsurers' share of technical provisions** | | | | |
| Provision for unearned premiums | | 60 | | |
| Claims outstanding | | 61 | | |
| Provision for unexpired risks | | 62 | | |
| Other | | 63 | | |
| **Debtors and salvage** | | | | |
| Direct insurance business | Policyholders | 71 | | |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | | |
| | due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | | |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | | |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | | |
| Deductions from the aggregate value of assets | | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | | 89 | | |

Form 13
(Sheet 3)

**Analysis of admissible assets**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **NPI With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 1016269 | GL | 31 | 12 | 2013 | £000 | 21 |

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

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | | |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 162952 | 175161 |
| 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 | 162952 | 175161 |

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

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Summary** |
| Units | **£000** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | **11** | 31724322 | 33065827 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | **12** | | |
| Balance of surplus/(valuation deficit) | | **13** | 468058 | 498658 |
| Long term insurance business fund carried forward (11 to 13) | | **14** | 32192380 | 33564485 |
| Claims outstanding | Gross | **15** | 286353 | 278017 |
| | Reinsurers' share | **16** | | 897 |
| | Net (15-16) | **17** | 286353 | 277120 |
| Provisions | Taxation | **21** | | |
| | Other risks and charges | **22** | 4771 | 6356 |
| Deposits received from reinsurers | | **23** | 378532 | 445386 |
| Creditors | Direct insurance business | **31** | 12774 | 19400 |
| | Reinsurance accepted | **32** | | |
| | Reinsurance ceded | **33** | 11264 | 46459 |
| Debenture loans | Secured | **34** | | |
| | Unsecured | **35** | | 50675 |
| Amounts owed to credit institutions | | **36** | 120337 | 123302 |
| Creditors | Taxation | **37** | 37464 | 58577 |
| | Other | **38** | 7091986 | 9120391 |
| Accruals and deferred income | | **39** | 21784 | 20868 |
| Provision for "reasonably foreseeable adverse variations" | | **41** | 6107 | 6557 |
| Total other insurance and non-insurance liabilities (17 to 41) | | **49** | 7971373 | 10175092 |
| Excess of the value of net admissible assets | | **51** | 3091688 | 3143728 |
| Total liabilities and margins | | **59** | 43255441 | 46883304 |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | **61** | 59122 | 147459 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | **62** | 10679537 | 10140186 |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | **71** | 39695695 | 43240919 |
| Increase to liabilities - DAC related | **72** | | |
| Reinsurers' share of technical provisions | **73** | 3050993 | 6760965 |
| Other adjustments to liabilities (may be negative) | **74** | 2888804 | 2824436 |
| Capital and reserves and fund for future appropriations | **75** | 936221 | 947080 |
| 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** | 46571713 | 53773400 |

Form 14

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Britannic Industrial Branch Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 186659 | 225283 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | 132760 | 132760 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 319419 | 358043 |
| Claims outstanding | Gross | 15 | 4145 | 4026 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 4145 | 4026 |
| 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 | | 1705 |
| | Other | 38 | 103129 | 118706 |
| Accruals and deferred income | | 39 | 220 | 661 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 107494 | 125098 |
| Excess of the value of net admissible assets | | 51 | 3412 | 2230 |
| Total liabilities and margins | | 59 | 430325 | 485371 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 264 | 325 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | | |
| Total liabilities (11+12+49) | | 71 | 294153 | 350382 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | | |
| Other adjustments to liabilities (may be negative) | | 74 | 120650 | 120834 |
| Capital and reserves and fund for future appropriations | | 75 | 16950 | 15025 |
| 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 | 431754 | 486240 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Britannic With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 2951968 | 3158330 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | 5000 | 5000 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 2956968 | 3163330 |
| Claims outstanding | Gross | 15 | 17212 | 12879 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 17212 | 12879 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | 754 | 818 |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | | |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 2 | 2 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | 79 | |
| | Other | 38 | 992401 | 1068027 |
| Accruals and deferred income | | 39 | 1198 | 1327 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | 798 | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 1012442 | 1083053 |
| Excess of the value of net admissible assets | | 51 | 1339697 | 1198099 |
| Total liabilities and margins | | 59 | 5309107 | 5444483 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 2829 | 11097 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | | |
| Total liabilities (11+12+49) | | 71 | 3964411 | 4241383 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | 1232 | 1233 |
| Other adjustments to liabilities (may be negative) | | 74 | 1101618 | 973560 |
| Capital and reserves and fund for future appropriations | | 75 | 255360 | 220684 |
| 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 | 5322621 | 5436860 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **90% With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | **11** | 65774 | 86776 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | **12** | | |
| Balance of surplus/(valuation deficit) | | **13** | 450 | 450 |
| Long term insurance business fund carried forward (11 to 13) | | **14** | 66224 | 87226 |
| Claims outstanding | Gross | **15** | 16 | 363 |
| | Reinsurers' share | **16** | | |
| | Net (15-16) | **17** | 16 | 363 |
| Provisions | Taxation | **21** | | |
| | Other risks and charges | **22** | | |
| Deposits received from reinsurers | | **23** | | |
| Creditors | Direct insurance business | **31** | 66 | 125 |
| | Reinsurance accepted | **32** | | |
| | Reinsurance ceded | **33** | | |
| Debenture loans | Secured | **34** | | |
| | Unsecured | **35** | | |
| Amounts owed to credit institutions | | **36** | | |
| Creditors | Taxation | **37** | | 442 |
| | Other | **38** | 9270 | 9501 |
| Accruals and deferred income | | **39** | 12 | 11 |
| Provision for "reasonably foreseeable adverse variations" | | **41** | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | **49** | 9364 | 10442 |
| Excess of the value of net admissible assets | | **51** | 53970 | 47975 |
| Total liabilities and margins | | **59** | 129558 | 145643 |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | **61** | 122 | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | **62** | | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | **71** | 75138 | 97219 |
| Increase to liabilities - DAC related | **72** | | |
| Reinsurers' share of technical provisions | **73** | 6 | 7 |
| Other adjustments to liabilities (may be negative) | **74** | 48321 | 43566 |
| Capital and reserves and fund for future appropriations | **75** | 6364 | 4505 |
| 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** | 129829 | 145296 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **100% Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 20808 | 28409 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | 850 | 850 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 21658 | 29259 |
| Claims outstanding | Gross | 15 | 2038 | 1862 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 2038 | 1862 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | 10 |
| 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 | 210 | 719 |
| | Other | 38 | 13612 | 11833 |
| Accruals and deferred income | | 39 | 120 | 124 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 15980 | 14548 |
| Excess of the value of net admissible assets | | 51 | 69471 | 66605 |
| Total liabilities and margins | | 59 | 107109 | 110412 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 75 | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | | |
| Total liabilities (11+12+49) | | 71 | 36787 | 42957 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | 142 | 153 |
| Other adjustments to liabilities (may be negative) | | 74 | 70326 | 67481 |
| 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 | 107255 | 110591 |

**Form 14**

## Long term insurance business liabilities and margins

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Alba With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 1308329 | 1569454 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | | |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 1308329 | 1569454 |
| Claims outstanding | Gross | 15 | 18427 | 20584 |
| | Reinsurers' share | 16 | | 101 |
| | Net (15-16) | 17 | 18427 | 20483 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | 286 | 1214 |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 6734 | 10153 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 3746 | 3809 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | 636 | |
| | Other | 38 | 560878 | 733877 |
| Accruals and deferred income | | 39 | 825 | 788 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 591532 | 770323 |
| Excess of the value of net admissible assets | | 51 | 15693 | 5000 |
| Total liabilities and margins | | 59 | 1915554 | 2344777 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 1798 | 4956 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | 5710 | 11997 |
| Total liabilities (11+12+49) | | 71 | 1899861 | 2339777 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | 1303277 | 1529254 |
| Other adjustments to liabilities (may be negative) | | 74 | (969) | (69420) |
| Capital and reserves and fund for future appropriations | | 75 | 18780 | 14986 |
| 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 | 3220950 | 3814597 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Phoenix With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | **11** | 3394364 | 3880126 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | **12** | | |
| Balance of surplus/(valuation deficit) | | **13** | 110500 | 110500 |
| Long term insurance business fund carried forward (11 to 13) | | **14** | 3504864 | 3990626 |
| Claims outstanding | Gross | **15** | 59065 | 51708 |
| | Reinsurers' share | **16** | | |
| | Net (15-16) | **17** | 59065 | 51708 |
| Provisions | Taxation | **21** | | |
| | Other risks and charges | **22** | 344 | 244 |
| Deposits received from reinsurers | | **23** | | |
| Creditors | Direct insurance business | **31** | 1033 | 1251 |
| | Reinsurance accepted | **32** | | |
| | Reinsurance ceded | **33** | 12 | 1853 |
| Debenture loans | Secured | **34** | | |
| | Unsecured | **35** | | |
| Amounts owed to credit institutions | | **36** | | |
| Creditors | Taxation | **37** | 1430 | 4320 |
| | Other | **38** | 1508108 | 1925391 |
| Accruals and deferred income | | **39** | 2926 | 2839 |
| Provision for "reasonably foreseeable adverse variations" | | **41** | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | **49** | 1572918 | 1987606 |
| Excess of the value of net admissible assets | | **51** | 505516 | 594954 |
| Total liabilities and margins | | **59** | 5583298 | 6573185 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | **61** | 2508 | 5668 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | **62** | 4222 | 3771 |
| Total liabilities (11+12+49) | | **71** | 4967282 | 5867732 |
| Increase to liabilities - DAC related | | **72** | | |
| Reinsurers' share of technical provisions | | **73** | 136463 | 140104 |
| Other adjustments to liabilities (may be negative) | | **74** | 504233 | 562960 |
| Capital and reserves and fund for future appropriations | | **75** | 120865 | 137578 |
| 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** | 5728843 | 6708374 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Scottish Mutual With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 2111755 | 2317963 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | | |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 2111755 | 2317963 |
| Claims outstanding | Gross | 15 | 1 | 4 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 1 | 4 |
| 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 | | 210 |
| | Other | 38 | 911293 | 996303 |
| Accruals and deferred income | | 39 | 150 | 134 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 911443 | 996651 |
| Excess of the value of net admissible assets | | 51 | 178737 | 240892 |
| Total liabilities and margins | | 59 | 3201935 | 3555506 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 1663 | 3380 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | | |
| Total liabilities (11+12+49) | | 71 | 3023198 | 3314614 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | | |
| Other adjustments to liabilities (may be negative) | | 74 | 145610 | 203113 |
| Capital and reserves and fund for future appropriations | | 75 | 34815 | 34528 |
| 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 | 3203623 | 3552255 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **SPI With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 1729146 | 1948814 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | 107959 | 138559 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 1837105 | 2087372 |
| Claims outstanding | Gross | 15 | 8208 | 6187 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 8208 | 6187 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | 624 |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | | |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | 50675 |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | 129 | 4108 |
| | Other | 38 | 756729 | 817218 |
| Accruals and deferred income | | 39 | 158 | 140 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 765224 | 878953 |
| Excess of the value of net admissible assets | | 51 | 507633 | 561635 |
| Total liabilities and margins | | 59 | 3109962 | 3527960 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 1511 | 75681 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | | |
| Total liabilities (11+12+49) | | 71 | 2494370 | 2827767 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | 3745 | 3745 |
| Other adjustments to liabilities (may be negative) | | 74 | 531671 | 599857 |
| Capital and reserves and fund for future appropriations | | 75 | 90475 | 85923 |
| 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 | 3120262 | 3517292 |

**Form 14**

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **SAL With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 4264834 | 4798087 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | 60539 | 60539 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 4325373 | 4858626 |
| Claims outstanding | Gross | 15 | 55607 | 54568 |
| | Reinsurers' share | 16 | | 3 |
| | Net (15-16) | 17 | 55607 | 54565 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | 285 | 209 |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 1461 | 3882 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | 2558 | |
| | Other | 38 | 1275650 | 2229110 |
| Accruals and deferred income | | 39 | 2766 | 4809 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 1338326 | 2292575 |
| Excess of the value of net admissible assets | | 51 | 417559 | 426339 |
| Total liabilities and margins | | 59 | 6081259 | 7577540 |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 3923 | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 1816 | 1629 |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | 5603160 | 7090662 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 14198 | 10263 |
| Other adjustments to liabilities (may be negative) | 74 | 404027 | 422159 |
| Capital and reserves and fund for future appropriations | 75 | 80217 | 65669 |
| 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 | 6101603 | 7588752 |

Form 14

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **Non - Profit Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | 15690686 | 15052585 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | 50000 | 50000 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 15740686 | 15102585 |
| Claims outstanding | Gross | 15 | 121636 | 125836 |
| | Reinsurers' share | 16 | | 793 |
| | Net (15-16) | 17 | 121636 | 125044 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | 3102 | 3238 |
| Deposits received from reinsurers | | 23 | 378532 | 445386 |
| Creditors | Direct insurance business | 31 | 3480 | 3989 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 7504 | 40794 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | 120337 | 123302 |
| Creditors | Taxation | 37 | 32422 | 47072 |
| | Other | 38 | 960917 | 1210423 |
| Accruals and deferred income | | 39 | 13408 | 10036 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | 5309 | 6557 |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 1646648 | 2015841 |
| Excess of the value of net admissible assets | | 51 | | |
| Total liabilities and margins | | 59 | 17387334 | 17118426 |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | | 61 | 44429 | 46354 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | | 62 | 10667788 | 10122789 |
| Total liabilities (11+12+49) | | 71 | 17337334 | 17068426 |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | 1428977 | 4901044 |
| Other adjustments to liabilities (may be negative) | | 74 | (36683) | (99673) |
| Capital and reserves and fund for future appropriations | | 75 | 312393 | 368182 |
| 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 | 19042021 | 22237980 |

Form 14

**Long term insurance business liabilities and margins**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Global business | |
| Financial year ended | **31 December 2013** |
| Total business/Sub fund | **NPI With-Profits Fund** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | | |
| Long term insurance business fund carried forward (11 to 13) | | 14 | | |
| Claims outstanding | Gross | 15 | | |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | | |
| 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 | | |
| | Other | 38 | | |
| Accruals and deferred income | | 39 | | |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | | |
| Excess of the value of net admissible assets | | 51 | | |
| Total liabilities and margins | | 59 | | |
| 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 | | |
| Increase to liabilities - DAC related | | 72 | | |
| Reinsurers' share of technical provisions | | 73 | 162952 | 175161 |
| Other adjustments to liabilities (may be negative) | | 74 | | |
| Capital and reserves and fund for future appropriations | | 75 | | |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75) | | 76 | 162952 | 175161 |

Form 15

**Liabilities (other than long term insurance business)**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

| | Company registration number | GL/ UK/ CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| **R15** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Technical provisions (gross amount)** | | | | |
| Provisions for unearned premiums | | **11** | | |
| Claims outstanding | | **12** | | |
| Provision for unexpired risks | | **13** | | |
| Equalisation provisions | Credit business | **14** | | |
| | Other than credit business | **15** | | |
| Other technical provisions | | **16** | | |
| Total gross technical provisions (11 to 16) | | **19** | | |
| **Provisions and creditors** | | | | |
| Provisions | Taxation | **21** | | |
| | Other risks and charges | **22** | | |
| Deposits received from reinsurers | | **31** | | |
| Creditors | Direct insurance business | **41** | | |
| | Reinsurance accepted | **42** | | |
| | Reinsurance ceded | **43** | | |
| Debenture loans | Secured | **44** | | |
| | Unsecured | **45** | 175159 | 163541 |
| Amounts owed to credit institutions | | **46** | | |
| Creditors | Taxation | **47** | | |
| | Foreseeable dividend | **48** | | |
| | Other | **49** | 188 | 64297 |
| Accruals and deferred income | | **51** | 11703 | 11703 |
| Total (19 to 51) | | **59** | 187050 | 239540 |
| Provision for "reasonably foreseeable adverse variations" | | **61** | | |
| Cumulative preference share capital | | **62** | | |
| Subordinated loan capital | | **63** | 200000 | 395000 |
| Total (59 to 63) | | **69** | 387050 | 634540 |
| Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance | | **71** | | |
| Amounts deducted from technical provisions for discounting | | **82** | | |
| Other adjustments (may be negative) | | **83** | 49825 | 54716 |
| Capital and reserves | | **84** | 641416 | 643954 |
| 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** | 1078292 | 1333210 |

Form 16

**Profit and loss account (non-technical account)**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

| | Company registration number | GL/UK/CM | day | month | year | Units |
|---|---|---|---|---|---|---|
| R16 | 1016269 | GL | 31 | 12 | 2013 | £000 |

| | | | This financial year<br>1 | Previous year<br>2 |
|---|---|---|---|---|
| Transfer (to)/from the general insurance business technical account | From Form 20 | 11 | | |
| | Equalisation provisions | 12 | | |
| Transfer from the long term insurance business revenue account | | 13 | 288447 | 301456 |
| Investment income | Income | 14 | 19604 | 20188 |
| | Value re-adjustments on investments | 15 | | |
| | Gains on the realisation of investments | 16 | 52651 | 1349 |
| Investment charges | Investment management charges, including interest | 17 | 24895 | 29514 |
| | Value re-adjustments on investments | 18 | 68845 | 222294 |
| | Loss on the realisation of investments | 19 | | |
| Allocated investment return transferred to the general insurance business technical account | | 20 | | |
| Other income and charges (particulars to be specified by way of supplementary note) | | 21 | (8243) | (5076) |
| Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21) | | 29 | 258719 | 66109 |
| Tax on profit or loss on ordinary activities | | 31 | 159 | (1852) |
| Profit or loss on ordinary activities after tax (29-31) | | 39 | 258560 | 67961 |
| Extraordinary profit or loss (particulars to be specified by way of supplementary note) | | 41 | 4018 | 282551 |
| 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 | 262578 | 350512 |
| Dividends (paid or foreseeable) | | 51 | 250000 | 244000 |
| Profit or loss retained for the financial year (49-51) | | 59 | 12578 | 106512 |

**Analysis of derivative contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

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

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £000 | 10 |

| Derivative contracts | | | Value as at the end of this financial year | | Notional amount as at the end of this financial year | |
|---|---|---|---|---|---|---|
| | | | Assets 1 | Liabilities 2 | Bought / Long 3 | Sold / Short 4 |
| Futures and contracts for differences | Fixed-interest securities | 11 | 11978 | | 2927 | 617263 |
| | Interest rates | 12 | 232225 | 544447 | 5278029 | 6630536 |
| | Inflation | 13 | 3372 | | | 66836 |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | 7569 | 28397 | 168300 | 664664 |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 781414 | 765671 | 781414 | 765671 |
| | Mortality | 20 | | | | |
| | Other | 21 | 429 | 75741 | | 2242061 |
| In the money options | Swaptions | 31 | 49324 | | 299569 | |
| | Equity index calls | 32 | | | 5 | |
| | Equity stock calls | 33 | | | | |
| | Equity index puts | 34 | 110763 | | 513605 | |
| | Equity stock puts | 35 | | | | |
| | Other | 36 | | | | |
| Out of the money options | Swaptions | 41 | 57431 | | 1956818 | |
| | Equity index calls | 42 | | | | |
| | Equity stock calls | 43 | | | | |
| | Equity index puts | 44 | | | | |
| | Equity stock puts | 45 | | | | |
| | Other | 46 | | | | |
| Total (11 to 46) | | 51 | 1254503 | 1414256 | 9000667 | 10987031 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 1254503 | 1414256 | | |

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

**Form 17**

## Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **100% With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R17** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **11** |

| **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** | 35 | | | 1633 |
| | Interest rates | **12** | | | | |
| | Inflation | **13** | | | | |
| | Credit index / basket | **14** | | | | |
| | Credit single name | **15** | | | | |
| | Equity index | **16** | | | | |
| | Equity stock | **17** | | | | |
| | Land | **18** | | | | |
| | Currencies | **19** | 3550 | 3452 | 3550 | 3452 |
| | 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** | 3585 | 3452 | 3550 | 5085 |
| Adjustment for variation margin | | **52** | | | | |
| Total (51 + 52) | | **53** | 3585 | 3452 | | |

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

**Form 17**

## Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Non-Profit Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £000 | 12 |

| Derivative contracts | | | Value as at the end of this financial year | | Notional amount as at the end of this financial year | |
|---|---|---|---|---|---|---|
| | | | Assets<br>1 | Liabilities<br>2 | Bought / Long<br>3 | Sold / Short<br>4 |
| Futures and contracts for differences | Fixed-interest securities | 11 | 847 | | 1288 | 70580 |
| | Interest rates | 12 | 81719 | 135820 | 1695856 | 2211049 |
| | Inflation | 13 | 3372 | | | 66836 |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | | 25245 | | 590617 |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 274334 | 269923 | 274334 | 269923 |
| | Mortality | 20 | | | | |
| | Other | 21 | | | | |
| In the money options | Swaptions | 31 | 1877 | | 10680 | |
| | Equity index calls | 32 | | | 5 | |
| | 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 | 362148 | 430989 | 1982163 | 3209005 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 362148 | 430989 | | |

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 contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **90% With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £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 | 62 | | | 2939 |
| | Interest rates | 12 | | | | |
| | Inflation | 13 | | | | |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | | | | |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 3770 | 3666 | 3770 | 3666 |
| | 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 | 3831 | 3666 | 3770 | 6605 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 3831 | 3666 | | |

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

**Form 17**

**Analysis of derivative contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic Industrial Branch Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £000 | 14 |

| Derivative contracts | | | Value as at the end of this financial year | | Notional amount as at the end of this financial year | |
|---|---|---|---|---|---|---|
| | | | Assets 1 | Liabilities 2 | Bought / Long 3 | Sold / Short 4 |
| Futures and contracts for differences | Fixed-interest securities | 11 | 362 | | | 19223 |
| | Interest rates | 12 | | | | |
| | Inflation | 13 | | | | |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | | 255 | | 5837 |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 8881 | 8672 | 8881 | 8672 |
| | 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 | 9243 | 8927 | 8881 | 33732 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 9243 | 8927 | | |

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

**Form 17**

## Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Britannic With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £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 | 2323 | | | 117727 |
| | Interest rates | 12 | | | | |
| | Inflation | 13 | | | | |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | | 1549 | | 37585 |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 190173 | 185234 | 190173 | 185234 |
| | 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 | 192495 | 186783 | 190173 | 340546 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 192495 | 186783 | | |

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

Form 17

**Analysis of derivative contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Phoenix With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R17** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **16** |

| **Derivative contracts** | | | Value as at the end of this financial year | | Notional amount as at the end of this financial year | |
|---|---|---|---|---|---|---|
| | | | Assets<br>**1** | Liabilities<br>**2** | Bought / Long<br>**3** | Sold / Short<br>**4** |
| Futures and contracts for differences | Fixed-interest securities | **11** | 1513 | | 1639 | 72464 |
| | Interest rates | **12** | 19783 | 47289 | 619750 | 1540029 |
| | Inflation | **13** | | | | |
| | Credit index / basket | **14** | | | | |
| | Credit single name | **15** | | | | |
| | Equity index | **16** | 177 | | 4325 | |
| | Equity stock | **17** | | | | |
| | Land | **18** | | | | |
| | Currencies | **19** | 106610 | 103863 | 106610 | 103863 |
| | Mortality | **20** | | | | |
| | Other | **21** | | 22201 | | 713615 |
| In the money options | Swaptions | **31** | 25522 | | 162490 | |
| | 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** | 776 | | 135040 | |
| | Equity index calls | **42** | | | | |
| | Equity stock calls | **43** | | | | |
| | Equity index puts | **44** | | | | |
| | Equity stock puts | **45** | | | | |
| | Other | **46** | | | | |
| Total (11 to 46) | | **51** | 154382 | 173353 | 1029854 | 2429972 |
| Adjustment for variation margin | | **52** | | | | |
| Total (51 + 52) | | **53** | 154382 | 173353 | | |

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 contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Alba With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £000 | 17 |

| 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 | 822 | | | 43233 |
| | Interest rates | 12 | | | | |
| | Inflation | 13 | | | | |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | | | | |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | | | | |
| | Mortality | 20 | | | | |
| | Other | 21 | | | | |
| In the money options | Swaptions | 31 | 20664 | | 118351 | |
| | 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 | 131 | | 5214 | |
| | Equity index calls | 42 | | | | |
| | Equity stock calls | 43 | | | | |
| | Equity index puts | 44 | | | | |
| | Equity stock puts | 45 | | | | |
| | Other | 46 | | | | |
| Total (11 to 46) | | 51 | 21617 | | 123566 | 43233 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 21617 | | | |

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 contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Scottish Mutual With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R17** | **1016269** | **GL** | **31** | **12** | **2013** | **£000** | **18** |

| **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** | 1009 | | | 48535 |
| | Interest rates | **12** | 53961 | 57987 | 1148035 | 672508 |
| | Inflation | **13** | | | | |
| | Credit index / basket | **14** | | | | |
| | Credit single name | **15** | | | | |
| | Equity index | **16** | 2554 | 1348 | 63042 | 30625 |
| | Equity stock | **17** | | | | |
| | Land | **18** | | | | |
| | Currencies | **19** | 80024 | 78329 | 80024 | 78329 |
| | Mortality | **20** | | | | |
| | Other | **21** | | 14488 | | 525869 |
| In the money options | Swaptions | **31** | | | | |
| | Equity index calls | **32** | | | | |
| | Equity stock calls | **33** | | | | |
| | Equity index puts | **34** | 63955 | | 294691 | |
| | Equity stock puts | **35** | | | | |
| | Other | **36** | | | | |
| Out of the money options | Swaptions | **41** | 45291 | | 814903 | |
| | Equity index calls | **42** | | | | |
| | Equity stock calls | **43** | | | | |
| | Equity index puts | **44** | | | | |
| | Equity stock puts | **45** | | | | |
| | Other | **46** | | | | |
| Total (11 to 46) | | **51** | 246796 | 152151 | 2400695 | 1355866 |
| Adjustment for variation margin | | **52** | | | | |
| Total (51 + 52) | | **53** | 246796 | 152151 | | |

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 contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SPI With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £000 | 19 |

| 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 | 750 | | | 36128 |
| | Interest rates | 12 | 46409 | 14256 | 370598 | 176104 |
| | Inflation | 13 | | | | |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | 4838 | | 100933 | |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 108251 | 106868 | 108251 | 106868 |
| | Mortality | 20 | | | | |
| | Other | 21 | | 4698 | | 144006 |
| In the money options | Swaptions | 31 | | | | |
| | Equity index calls | 32 | | | | |
| | Equity stock calls | 33 | | | | |
| | Equity index puts | 34 | 46808 | | 218915 | |
| | Equity stock puts | 35 | | | | |
| | Other | 36 | | | | |
| Out of the money options | Swaptions | 41 | 8957 | | 251172 | |
| | Equity index calls | 42 | | | | |
| | Equity stock calls | 43 | | | | |
| | Equity index puts | 44 | | | | |
| | Equity stock puts | 45 | | | | |
| | Other | 46 | | | | |
| Total (11 to 46) | | 51 | 216012 | 125822 | 1049868 | 463106 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 216012 | 125822 | | |

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 contracts**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **SAL With-Profits Fund**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 1016269 | GL | 31 | 12 | 2013 | £000 | 20 |

| 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 | 4256 | | | 204801 |
| | Interest rates | 12 | 30352 | 289095 | 1443791 | 2030846 |
| | Inflation | 13 | | | | |
| | Credit index / basket | 14 | | | | |
| | Credit single name | 15 | | | | |
| | Equity index | 16 | | | | |
| | Equity stock | 17 | | | | |
| | Land | 18 | | | | |
| | Currencies | 19 | 5821 | 5664 | 5821 | 5664 |
| | Mortality | 20 | | | | |
| | Other | 21 | 429 | 34354 | | 858571 |
| In the money options | Swaptions | 31 | 1261 | | 8048 | |
| | 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 | 2275 | | 750488 | |
| | Equity index calls | 42 | | | | |
| | Equity stock calls | 43 | | | | |
| | Equity index puts | 44 | | | | |
| | Equity stock puts | 45 | | | | |
| | Other | 46 | | | | |
| Total (11 to 46) | | 51 | 44394 | 329113 | 2208148 | 3099882 |
| Adjustment for variation margin | | 52 | | | | |
| Total (51 + 52) | | 53 | 44394 | 329113 | | |

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

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 430325 | 485371 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 36051 | 37311 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 1446 | 1496 |
| | 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** | 392828 | 446564 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 150608 | 187972 |
| | Regulatory current liabilities of the fund | **22** | 107494 | 125098 |
| | Total (21+22) | **29** | 258102 | 313070 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 6367 | 7822 |
| 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** | 264469 | 320892 |
| Regulatory excess capital (19-39) | | **49** | 128359 | 125672 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | **51** | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | **61** | 128359 | 125672 |
| 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** | 16523 | 12749 |
| 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** | 111835 | 112923 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|

**Regulatory excess capital**

| | | | | |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | 11 | 5309107 | 5444483 |
| | Implicit items allocated to the fund | 12 | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | 13 | 145964 | 186750 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | 14 | 6134 | 7714 |
| | 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 | 5157009 | 5250018 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | 21 | 2806004 | 2971580 |
| | Regulatory current liabilities of the fund | 22 | 1012442 | 1083053 |
| | Total (21+22) | 29 | 3818446 | 4054633 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | 31 | 115381 | 121690 |
| 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 | 3933827 | 4176323 |
| Regulatory excess capital (19-39) | | 49 | 1223183 | 1073695 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | 51 | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | 61 | 1223183 | 1073695 |
| 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 | 168527 | 140372 |
| 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 | 1054655 | 933323 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 129558 | 145643 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 6201 | 10136 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 248 | 405 |
| | 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** | 123108 | 135101 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 59572 | 76640 |
| | Regulatory current liabilities of the fund | **22** | 9364 | 10442 |
| | Total (21+22) | **29** | 68937 | 87082 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 2463 | 3164 |
| 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** | 71400 | 90246 |
| Regulatory excess capital (19-39) | | **49** | 51708 | 44856 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | **51** | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | **61** | 51708 | 44856 |
| 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** | 4052 | 2533 |
| 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** | 47657 | 42322 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | 11 | 107109 | 110412 |
| | 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 | 107109 | 110412 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | 21 | 20808 | 28409 |
| | Regulatory current liabilities of the fund | 22 | 15980 | 14548 |
| | Total (21+22) | 29 | 36787 | 42957 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | 31 | 854 | 1166 |
| 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 | 37642 | 44123 |
| Regulatory excess capital (19-39) | | 49 | 69467 | 66290 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | 51 | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | 61 | 69467 | 66290 |
| 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 | 69467 | 66290 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 1915554 | 2344777 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 554671 | 623496 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 15639 | 5000 |
| | 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** | 1345244 | 1716281 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 753658 | 945958 |
| | Regulatory current liabilities of the fund | **22** | 591532 | 770323 |
| | Total (21+22) | **29** | 1345190 | 1716281 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 31969 | 51892 |
| 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** | 1377160 | 1768173 |
| Regulatory excess capital (19-39) | | **49** | (31916) | (51892) |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | **51** | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | **61** | (31916) | (51892) |
| 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** | 13876 | 5528 |
| 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** | | |

Form 18

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 5583298 | 6573185 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 1427230 | 1605869 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 66859 | 76460 |
| | 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** | 4089210 | 4890857 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 1967134 | 2274257 |
| | Regulatory current liabilities of the fund | **22** | 1572918 | 1987606 |
| | Total (21+22) | **29** | 3540052 | 4261862 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 79374 | 92859 |
| 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** | 3619426 | 4354721 |
| Regulatory excess capital (19-39) | | **49** | 469784 | 536135 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | **51** | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | **61** | 469784 | 536135 |
| 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** | 72486 | 99299 |
| 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** | 397298 | 436837 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 3201935 | 3555506 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 3996 | 3879 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 160 | 155 |
| | 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** | 3197780 | 3551472 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 2107759 | 2314084 |
| | Regulatory current liabilities of the fund | **22** | 911443 | 996651 |
| | Total (21+22) | **29** | 3019203 | 3310735 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 84949 | 93268 |
| 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** | 3104152 | 3404004 |
| Regulatory excess capital (19-39) | | **49** | 93628 | 147468 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | **51** | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | **61** | 93628 | 147468 |
| 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** | 8185 | 8627 |
| 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** | 85444 | 138841 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Regulatory excess capital** | | | | |
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 3109962 | 3527960 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 19215 | 23338 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 769 | 934 |
| | 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** | 3089978 | 3503689 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 1709931 | 1925475 |
| | Regulatory current liabilities of the fund | **22** | 765224 | 878953 |
| | Total (21+22) | **29** | 2475155 | 2804428 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 70186 | 79217 |
| 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** | 2545341 | 2883645 |
| Regulatory excess capital (19-39) | | **49** | 544637 | 620043 |
| **Realistic excess capital** | | | | |
| Realistic excess capital | | **51** | | |
| **Excess assets allocated to with-profits insurance business** | | | | |
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | | **61** | 544637 | 620043 |
| 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** | 54275 | 48559 |
| 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** | 490362 | 571484 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Regulatory excess capital**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | Long-term admissible assets of the fund | **11** | 6081259 | 7577540 |
| | Implicit items allocated to the fund | **12** | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | **13** | 1643923 | 1794691 |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | **14** | 73364 | 99877 |
| | 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** | 4363971 | 5682973 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | **21** | 2620911 | 3003397 |
| | Regulatory current liabilities of the fund | **22** | 1338326 | 2292575 |
| | Total (21+22) | **29** | 3959237 | 5295972 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | **31** | 100363 | 96267 |
| 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** | 4059600 | 5392239 |
| Regulatory excess capital (19-39) | | **49** | 304371 | 290734 |

**Realistic excess capital**

| | | | |
|---|---|---|---|
| Realistic excess capital | **51** | | |

**Excess assets allocated to with-profits insurance business**

| | | | |
|---|---|---|---|
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | **61** | 304371 | 290734 |
| 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** | 46509 | 35521 |
| 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** | 257861 | 255213 |

**Form 18**

**With-profits insurance capital component for the fund**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Regulatory excess capital** | | | | |
| Regulatory value of assets | Long-term admissible assets of the fund | 11 | | |
| | 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 | | |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | 21 | | |
| | Regulatory current liabilities of the fund | 22 | | |
| | Total (21+22) | 29 | | |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | 31 | 268 | 2240 |
| 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 | 268 | 2240 |
| Regulatory excess capital (19-39) | | 49 | (268) | (2240) |
| **Realistic excess capital** | | | | |
| Realistic excess capital | | 51 | | |
| **Excess assets allocated to with-profits insurance business** | | | | |
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | | 61 | (268) | (2240) |
| 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 | | |

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Realistic value of assets available to the fund**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| Regulatory value of assets | | **11** | 392828 | 446564 |
| 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** | 4883 | 3512 |
| 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** | 397711 | 450076 |
| Support arrangement assets | | **27** | | |
| Assets available to the fund (26+27) | | **29** | 397711 | 450076 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | **31** | 165012 | 233929 |
| 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** | 121445 | 86928 |
| | 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** | | |
| | Future costs of non-contractual commitments | **42** | | |
| | Future costs of financial options | **43** | | |
| | 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** | 3760 | 4121 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | **49** | 125205 | 91048 |
| Realistic current liabilities of the fund | | **51** | 107494 | 125098 |
| Realistic value of liabilities of fund (31+49+51) | | **59** | 397711 | 450076 |

Form 19
(Sheet 2)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Britannic Industrial Branch Fund**

Financial year ended **31 December 2013**

Units **£000**

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

**Realistic excess capital and additional capital available**

| | | | |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 397711 | 450076 |
| 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** | 397711 | 450076 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

**Realistic value of assets available to the fund**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | | 11 | 5157009 | 5250018 |
| 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 | 33221 | 42234 |
| 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 | 5190231 | 5292252 |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | 5190231 | 5292252 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | 31 | 3705513 | 3724078 |
| 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 | 308227 | 227461 |
| | 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 | 61136 | 135873 |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | 6841 | 8161 |
| | Future costs of smoothing (possibly negative) | 44 | 33559 | 42639 |
| | Financing costs | 45 | | |
| | Any other liabilities related to regulatory duty to treat customers fairly | 46 | | |
| | Other long-term insurance liabilities | 47 | 62513 | 70987 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | 472276 | 485121 |
| Realistic current liabilities of the fund | | 51 | 1012442 | 1083053 |
| Realistic value of liabilities of fund (31+49+51) | | 59 | 5190231 | 5292252 |

Form 19
(Sheet 2)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

**Realistic excess capital and additional capital available**

| | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 5190231 | 5292252 |
| 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** | 5190231 | 5292252 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

Form 19
(Sheet 1)

**Realistic balance sheet**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | **11** | 123108 | 135101 |
| 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** | 2809 | 3913 |
| 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** | 125917 | 139014 |
| Support arrangement assets | | **27** | | |
| Assets available to the fund (26+27) | | **29** | 125917 | 139014 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | **31** | 92837 | 106363 |
| 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** | 15616 | 8896 |
| | 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** | 2631 | 4890 |
| | Future costs of non-contractual commitments | **42** | | |
| | Future costs of financial options | **43** | 430 | 533 |
| | 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** | 5039 | 7891 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | **49** | 23716 | 22209 |
| Realistic current liabilities of the fund | | **51** | 9364 | 10442 |
| Realistic value of liabilities of fund (31+49+51) | | **59** | 125917 | 139014 |

Form 19
(Sheet 2)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **90% With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

### Realistic excess capital and additional capital available

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 125917 | 139014 |
| 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** | 125917 | 139014 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Realistic value of assets available to the fund**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | | **11** | 107109 | 110412 |
| 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** | 107109 | 110412 |
| Support arrangement assets | | **27** | | |
| Assets available to the fund (26+27) | | **29** | 107109 | 110412 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | **31** | 72076 | 79392 |
| 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** | 17138 | 15797 |
| | 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** | | |
| | Future costs of non-contractual commitments | **42** | | |
| | Future costs of financial options | **43** | | |
| | 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** | 1914 | 675 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | **49** | 19053 | 16472 |
| Realistic current liabilities of the fund | | **51** | 15980 | 14548 |
| Realistic value of liabilities of fund (31+49+51) | | **59** | 107109 | 110412 |

Form 19
(Sheet 2)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **100% Fund**

Financial year ended **31 December 2013**

Units **£000**

**Realistic excess capital and additional capital available**

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 107109 | 110412 |
| 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** | 107109 | 110412 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

Form 19
(Sheet 1)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | 1345244 | 1716281 |
| 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 | 58476 | 68096 |
| 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 | 1403720 | 1784377 |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | 1403720 | 1784377 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | 31 | 500813 | 610216 |
| 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 | 193240 | 146447 |
| | 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 | 12925 | 11285 |
| | Future costs of contractual guarantees (other than financial options) | 41 | 71804 | 134454 |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | 59069 | 78970 |
| | Future costs of smoothing (possibly negative) | 44 | | |
| | Financing costs | 45 | | 55066 |
| | Any other liabilities related to regulatory duty to treat customers fairly | 46 | | |
| | Other long-term insurance liabilities | 47 | 187 | 187 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | 311375 | 403838 |
| Realistic current liabilities of the fund | | 51 | 591532 | 770323 |
| Realistic value of liabilities of fund (31+49+51) | | 59 | 1403720 | 1784377 |

**Form 19**
**(Sheet 2)**

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

**Realistic excess capital and additional capital available**

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 1403720 | 1784377 |
| 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** | 1403720 | 1784377 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

Form 19
(Sheet 1)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Phoenix With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| | | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | | |
| Regulatory value of assets | | | 11 | 4089210 | 4890857 |
| 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 | 191094 | 212305 |
| 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 | 4280304 | 5103161 |
| Support arrangement assets | | | 27 | | |
| Assets available to the fund (26+27) | | | 29 | 4280304 | 5103161 |
| **Realistic value of liabilities of fund** | | | | | |
| With-profits benefit reserve | | | 31 | 2242683 | 2575100 |
| Future policy related liabilities | Past miscellaneous surplus attributed to with-profits benefits reserve | | 32 | | 164 |
| | Past miscellaneous deficit attributed to with-profits benefits reserve | | 33 | | |
| | Planned enhancements to with-profits benefits reserve | | 34 | 340489 | 325898 |
| | Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve | | 35 | 9834 | 36279 |
| | Planned deductions for other costs deemed chargeable to with-profits benefits reserve | | 36 | | |
| | Future costs of contractual guarantees (other than financial options) | | 41 | 19430 | 46414 |
| | Future costs of non-contractual commitments | | 42 | | |
| | Future costs of financial options | | 43 | 139164 | 178318 |
| | 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 | (24546) | 33360 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | | 49 | 464703 | 547874 |
| Realistic current liabilities of the fund | | | 51 | 1572917 | 1980187 |
| Realistic value of liabilities of fund (31+49+51) | | | 59 | 4280304 | 5103161 |

**Form 19**
**(Sheet 2)**

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Phoenix With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

**Realistic excess capital and additional capital available**

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 4280304 | 5103161 |
| 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** | 4280304 | 5103161 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

Form 19
(Sheet 1)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Scottish Mutual With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | 3197780 | 3551472 |
| 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 | 3197780 | 3551472 |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | 3197780 | 3551472 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | 31 | 1711454 | 1810974 |
| 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 | 277695 | 330842 |
| | 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 | 191949 | 267650 |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | 79198 | 123110 |
| | 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 | 26040 | 22292 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | 574883 | 743894 |
| Realistic current liabilities of the fund | | 51 | 911443 | 996604 |
| Realistic value of liabilities of fund (31+49+51) | | 59 | 3197780 | 3551472 |

Form 19
(Sheet 2)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **Scottish Mutual With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

### Realistic excess capital and additional capital available

| | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 3197780 | 3551472 |
| 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** | 3197780 | 3551472 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Realistic value of assets available to the fund**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Regulatory value of assets | | **11** | 3089978 | 3503689 |
| 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** | 3089978 | 3503689 |
| Support arrangement assets | | **27** | | |
| Assets available to the fund (26+27) | | **29** | 3089978 | 3503689 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | **31** | 1696485 | 1900972 |
| 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** | 304282 | 365379 |
| | Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve | **35** | 1072 | 1412 |
| | Planned deductions for other costs deemed chargeable to with-profits benefits reserve | **36** | | |
| | Future costs of contractual guarantees (other than financial options) | **41** | 160165 | 179967 |
| | Future costs of non-contractual commitments | **42** | | |
| | Future costs of financial options | **43** | 73957 | 87577 |
| | 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** | 90938 | 92824 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | **49** | 628269 | 724334 |
| Realistic current liabilities of the fund | | **51** | 765224 | 878382 |
| Realistic value of liabilities of fund (31+49+51) | | **59** | 3089978 | 3503688 |

Form 19
(Sheet 2)

**Realistic balance sheet**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

### Realistic excess capital and additional capital available

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 3089978 | 3503689 |
| 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** | 3089978 | 3503689 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **SAL With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | 4363971 | 5682973 |
| 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 | 256831 | 333094 |
| 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 | 4620802 | 6016067 |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | 4620802 | 6016067 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | 31 | 2650822 | 2897273 |
| Future policy related liabilities | Past miscellaneous surplus attributed to with-profits benefits reserve | 32 | 1010 | 935 |
| | Past miscellaneous deficit attributed to with-profits benefits reserve | 33 | | |
| | Planned enhancements to with-profits benefits reserve | 34 | 213026 | 228521 |
| | Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve | 35 | (4903) | 55777 |
| | Planned deductions for other costs deemed chargeable to with-profits benefits reserve | 36 | | |
| | Future costs of contractual guarantees (other than financial options) | 41 | 167474 | 291587 |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | 275304 | 380546 |
| | 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 | 11222 | 25280 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | 672938 | 871091 |
| Realistic current liabilities of the fund | | 51 | 1297042 | 2247703 |
| Realistic value of liabilities of fund (31+49+51) | | 59 | 4620802 | 6016067 |

**Form 19**
**(Sheet 2)**

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **SAL With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

### Realistic excess capital and additional capital available

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | 4620802 | 6016067 |
| 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** | 4620802 | 6016067 |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

Form 19
(Sheet 1)

**Realistic balance sheet**

Name of insurer **Phoenix Life Limited**

With-profits fund **NPI With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | | |
| 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 | | |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | | |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | 31 | | |
| 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 | | |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | | |
| | 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 | | |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | | |
| Realistic current liabilities of the fund | | 51 | | |
| Realistic value of liabilities of fund (31+49+51) | | 59 | | |

Form 19
(Sheet 2)

**Realistic balance sheet**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| With-profits fund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

**Realistic excess capital and additional capital available**

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds | **62** | | |
| 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** | | |
| 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** | 300000 | 400000 |
| Additional amount potentially available for inclusion in line 63 | **82** | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Summary** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year 1 | Previous year 2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 435520 | (2242973) |
| Investment income receivable before deduction of tax | **12** | 1004159 | 1483167 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (115468) | 958129 |
| Increase (decrease) in the value of linked assets | **14** | 1260206 | 621836 |
| Other income | **15** | 1387 | 595 |
| **Total income** | **19** | 2585804 | 820754 |
| **Expenditure** | | | |
| Claims incurred | **21** | 3213481 | 3272434 |
| Expenses payable | **22** | 265158 | 300889 |
| Interest payable before the deduction of tax | **23** | 52124 | 67818 |
| Taxation | **24** | 67566 | 82846 |
| Other expenditure | **25** | 20394 | 39579 |
| Transfer to (from) non technical account | **26** | 288447 | 301456 |
| **Total expenditure** | **29** | 3907171 | 4065022 |
| Business transfers - in | **31** | | 3358943 |
| Business transfers - out | **32** | 50739 | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (1372106) | 114675 |
| Fund brought forward | **49** | 33564486 | 33449810 |
| Fund carried forward (39+49) | **59** | 32192380 | 33564486 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 7765 | 10811 |
| Investment income receivable before deduction of tax | **12** | 10985 | 14089 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 1822 | 24899 |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | | |
| **Total income** | **19** | 20573 | 49799 |
| **Expenditure** | | | |
| Claims incurred | **21** | 51235 | 80843 |
| Expenses payable | **22** | 5568 | 6355 |
| Interest payable before the deduction of tax | **23** | 632 | 1992 |
| Taxation | **24** | (466) | 6967 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 2227 | 1996 |
| **Total expenditure** | **29** | 59197 | 98153 |
| Business transfers - in | **31** | | |
| Business transfers - out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (38624) | (48355) |
| Fund brought forward | **49** | 358043 | 406398 |
| Fund carried forward (39+49) | **59** | 319419 | 358043 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 24972 | 33035 |
| Investment income receivable before deduction of tax | **12** | 144994 | 165012 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (29386) | (3412) |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | | |
| **Total income** | **19** | 140580 | 194634 |
| **Expenditure** | | | |
| Claims incurred | **21** | 261535 | 271677 |
| Expenses payable | **22** | 25580 | 32536 |
| Interest payable before the deduction of tax | **23** | 4279 | 4320 |
| Taxation | **24** | 2068 | (5886) |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 14422 | 9413 |
| **Total expenditure** | **29** | 307884 | 312060 |
| Business transfers - in | **31** | 4673 | 5016 |
| Business transfers - out | **32** | 43730 | 53813 |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (206362) | (166223) |
| Fund brought forward | **49** | 3163330 | 3329553 |
| Fund carried forward (39+49) | **59** | 2956968 | 3163330 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 814 | 1270 |
| Investment income receivable before deduction of tax | **12** | 3944 | 5060 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (1761) | 2381 |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | | |
| **Total income** | **19** | 2996 | 8711 |
| **Expenditure** | | | |
| Claims incurred | **21** | 23327 | 25613 |
| Expenses payable | **22** | 552 | 224 |
| Interest payable before the deduction of tax | **23** | 25 | 31 |
| Taxation | **24** | (682) | 952 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 877 | 675 |
| **Total expenditure** | **29** | 24098 | 27495 |
| Business transfers - in | **31** | | |
| Business transfers - out | **32** | (100) | 29 |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (21002) | (18813) |
| Fund brought forward | **49** | 87226 | 106039 |
| Fund carried forward (39+49) | **59** | 66224 | 87226 |

Form 40

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 176 | 66 |
| Investment income receivable before deduction of tax | **12** | 3142 | 3681 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 2098 | 9597 |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | | |
| **Total income** | **19** | 5416 | 13344 |
| **Expenditure** | | | |
| Claims incurred | **21** | 12625 | 4486 |
| Expenses payable | **22** | 385 | 481 |
| Interest payable before the deduction of tax | **23** | 64 | 67 |
| Taxation | **24** | (57) | 1247 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | | |
| **Total expenditure** | **29** | 13017 | 6281 |
| Business transfers - in | **31** | | |
| Business transfers - out | **32** | | 8948 |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (7601) | (1885) |
| Fund brought forward | **49** | 29259 | 31144 |
| Fund carried forward (39+49) | **59** | 21658 | 29259 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 7554 | 14662 |
| Investment income receivable before deduction of tax | **12** | 52760 | 63283 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (131882) | 61095 |
| Increase (decrease) in the value of linked assets | **14** | 423 | (705) |
| Other income | **15** | | |
| **Total income** | **19** | (71146) | 138335 |
| **Expenditure** | | | |
| Claims incurred | **21** | 125821 | 169411 |
| Expenses payable | **22** | 15623 | 21150 |
| Interest payable before the deduction of tax | **23** | 3584 | 5300 |
| Taxation | **24** | (726) | 353 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 1893 | 1946 |
| **Total expenditure** | **29** | 146194 | 198160 |
| Business transfers - in | **31** | 17610 | 17888 |
| Business transfers - out | **32** | 61395 | 53251 |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (261125) | (95187) |
| Fund brought forward | **49** | 1569454 | 1664642 |
| Fund carried forward (39+49) | **59** | 1308329 | 1569454 |

Form 40

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | 11 | 45373 | 49023 |
| Investment income receivable before deduction of tax | 12 | 86949 | 199845 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 94028 | 316428 |
| Increase (decrease) in the value of linked assets | 14 | 451 | 323 |
| Other income | 15 | | |
| **Total income** | 19 | 226801 | 565620 |
| **Expenditure** | | | |
| Claims incurred | 21 | 565714 | 596905 |
| Expenses payable | 22 | 25453 | 29447 |
| Interest payable before the deduction of tax | 23 | 6786 | 7235 |
| Taxation | 24 | 461 | 13069 |
| Other expenditure | 25 | | |
| Transfer to (from) non technical account | 26 | 20757 | 18530 |
| **Total expenditure** | 29 | 619171 | 665186 |
| | | | |
| Business transfers - in | 31 | 1 | 100870 |
| Business transfers - out | 32 | 93392 | 208812 |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | (485761) | (207508) |
| Fund brought forward | 49 | 3990626 | 4198134 |
| Fund carried forward (39+49) | 59 | 3504865 | 3990626 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 8390 | 10282 |
| Investment income receivable before deduction of tax | **12** | 33538 | 142649 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 50598 | 114264 |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | | |
| **Total income** | **19** | 92526 | 267196 |
| **Expenditure** | | | |
| Claims incurred | **21** | 249750 | 246138 |
| Expenses payable | **22** | 15769 | 16936 |
| Interest payable before the deduction of tax | **23** | 6378 | 4129 |
| Taxation | **24** | 61 | 1940 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 1974 | 2084 |
| **Total expenditure** | **29** | 273933 | 271227 |
| | | | |
| Business transfers - in | **31** | 1843 | |
| Business transfers - out | **32** | 26645 | 39033 |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (206208) | (43064) |
| Fund brought forward | **49** | 2317963 | 2361027 |
| Fund carried forward (39+49) | **59** | 2111755 | 2317963 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year 1 | Previous year 2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | 11 | 28472 | 35470 |
| Investment income receivable before deduction of tax | 12 | 64058 | 94850 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 82132 | 103957 |
| Increase (decrease) in the value of linked assets | 14 | | |
| Other income | 15 | | |
| **Total income** | 19 | 174663 | 234278 |
| **Expenditure** | | | |
| Claims incurred | 21 | 376275 | 364479 |
| Expenses payable | 22 | 15634 | 15372 |
| Interest payable before the deduction of tax | 23 | 3137 | 3770 |
| Taxation | 24 | (2103) | 8057 |
| Other expenditure | 25 | | |
| Transfer to (from) non technical account | 26 | 19250 | 7190 |
| **Total expenditure** | 29 | 412193 | 398868 |
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | 12738 | 19093 |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | (250268) | (183683) |
| Fund brought forward | 49 | 2087373 | 2271055 |
| Fund carried forward (39+49) | 59 | 1837105 | 2087373 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year 1 | Previous year 2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | 11 | 29764 | 75954 |
| Investment income receivable before deduction of tax | 12 | 92736 | 246609 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | (56473) | 30808 |
| Increase (decrease) in the value of linked assets | 14 | 728 | (74) |
| Other income | 15 | | |
| **Total income** | 19 | 66755 | 353297 |
| **Expenditure** | | | |
| Claims incurred | 21 | 395645 | 463424 |
| Expenses payable | 22 | 25735 | 30926 |
| Interest payable before the deduction of tax | 23 | 7559 | 12258 |
| Taxation | 24 | 4319 | 1125 |
| Other expenditure | 25 | | 65795 |
| Transfer to (from) non technical account | 26 | 3707 | 49741 |
| **Total expenditure** | 29 | 436965 | 623270 |
| Business transfers - in | 31 | 238 | 81991 |
| Business transfers - out | 32 | 163281 | 223356 |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | (533253) | (411338) |
| Fund brought forward | 49 | 4858626 | 5269965 |
| Fund carried forward (39+49) | 59 | 4325373 | 4858626 |

**Form 40**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Income** | | | |
| Earned premiums | **11** | 282239 | (2473546) |
| Investment income receivable before deduction of tax | **12** | 511055 | 548088 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (126642) | 298113 |
| Increase (decrease) in the value of linked assets | **14** | 1258604 | 622292 |
| Other income | **15** | 1387 | 66390 |
| **Total income** | **19** | 1926642 | (938663) |
| **Expenditure** | | | |
| Claims incurred | **21** | 1151555 | 1049459 |
| Expenses payable | **22** | 134858 | 147462 |
| Interest payable before the deduction of tax | **23** | 19679 | 28716 |
| Taxation | **24** | 64691 | 55020 |
| Other expenditure | **25** | 20394 | 39579 |
| Transfer to (from) non technical account | **26** | 223341 | 209881 |
| **Total expenditure** | **29** | 1614518 | 1530116 |
| Business transfers - in | **31** | 553861 | 4103311 |
| Business transfers - out | **32** | 227885 | 343799 |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | 638100 | 1290733 |
| Fund brought forward | **49** | 15102585 | 13811852 |
| Fund carried forward (39+49) | **59** | 15740686 | 15102585 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Summary** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | 11 | 296703 | 106929 | 9017 | 412649 | 531246 |
| Single premiums | 12 | 7652 | 24649 | (9) | 32292 | 25045 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | 58298 | 1810 | 925 | 61032 | 71234 |
| Single premiums | 14 | | (56271) | | (56271) | 3349804 |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | 185 | 217 | | 402 | 5306 |
| Single premiums | 16 | | 4259 | | 4259 | (627080) |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 238221 | 104903 | 8092 | 351216 | 454707 |
| Single premiums | 18 | 7652 | 76661 | (9) | 84304 | (2697680) |
| **Total** | | | | | | |
| Gross | 19 | 304355 | 131579 | 9007 | 444941 | 556291 |
| Reinsurance | 20 | 58482 | (49986) | 925 | 9422 | 2799264 |
| Net | 21 | 245873 | 181564 | 8083 | 435520 | (2242973) |

**Form 41**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 7765 | | | 7765 | 10811 |
| Single premiums | **12** | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | | | | | |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 7765 | | | 7765 | 10811 |
| Single premiums | **18** | | | | | |
| **Total** | | | | | | |
| Gross | **19** | 7765 | | | 7765 | 10811 |
| Reinsurance | **20** | | | | | |
| Net | **21** | 7765 | | | 7765 | 10811 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | 11 | 11447 | 13099 | | 24546 | 30816 |
| Single premiums | 12 | | 464 | | 464 | 2265 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | 38 | | | 38 | 46 |
| Single premiums | 14 | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | | | | | |
| Single premiums | 16 | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 11408 | 13099 | | 24508 | 30770 |
| Single premiums | 18 | | 464 | | 464 | 2265 |
| **Total** | | | | | | |
| Gross | 19 | 11447 | 13563 | | 25010 | 33081 |
| Reinsurance | 20 | 38 | | | 38 | 46 |
| Net | 21 | 11408 | 13563 | | 24972 | 33035 |

**Form 41**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 628 | 234 | | 861 | 1228 |
| Single premiums | **12** | | (46) | | (46) | 46 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 3 | | | 3 | 4 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | (1) | | | (1) | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 626 | 234 | | 859 | 1225 |
| Single premiums | **18** | | (46) | | (46) | 46 |
| **Total** | | | | | | |
| Gross | **19** | 628 | 188 | | 816 | 1274 |
| Reinsurance | **20** | 2 | | | 2 | 4 |
| Net | **21** | 626 | 188 | | 814 | 1270 |

**Form 41**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 178 | | | 178 | 68 |
| Single premiums | **12** | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 2 | | | 2 | 3 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 176 | | | 176 | 66 |
| Single premiums | **18** | | | | | |
| **Total** | | | | | | |
| Gross | **19** | 178 | | | 178 | 68 |
| Reinsurance | **20** | 2 | | | 2 | 3 |
| Net | **21** | 176 | | | 176 | 66 |

**Form 41**

## Long-term insurance business : Analysis of premiums

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 4429 | 1646 | 68 | 6143 | 12563 |
| Single premiums | **12** | 28 | 1664 | | 1693 | 2382 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 282 | | | 282 | 283 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 4147 | 1646 | 68 | 5861 | 12280 |
| Single premiums | **18** | 28 | 1664 | | 1693 | 2382 |
| **Total** | | | | | | |
| Gross | **19** | 4458 | 3310 | 68 | 7836 | 14945 |
| Reinsurance | **20** | 282 | | | 282 | 283 |
| Net | **21** | 4175 | 3310 | 68 | 7554 | 14662 |

**Form 41**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 51472 | 4984 | 380 | 56836 | 62384 |
| Single premiums | **12** | 3 | 23 | (7) | 20 | 949 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 11483 | | | 11483 | 14310 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 39989 | 4984 | 380 | 45353 | 48074 |
| Single premiums | **18** | 3 | 23 | (7) | 20 | 949 |
| **Total** | | | | | | |
| Gross | **19** | 51475 | 5007 | 373 | 56856 | 63333 |
| Reinsurance | **20** | 11483 | | | 11483 | 14310 |
| Net | **21** | 39992 | 5007 | 373 | 45373 | 49023 |

**Form 41**

## Long-term insurance business : Analysis of premiums

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 1818 | 6533 | | 8351 | 10304 |
| Single premiums | **12** | | 60 | | 60 | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 21 | | | 21 | 22 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 1797 | 6533 | | 8330 | 10282 |
| Single premiums | **18** | | 60 | | 60 | |
| **Total** | | | | | | |
| Gross | **19** | 1818 | 6593 | | 8411 | 10304 |
| Reinsurance | **20** | 21 | | | 21 | 22 |
| Net | **21** | 1797 | 6593 | | 8390 | 10282 |

Form 41

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 23306 | 479 | 4998 | 28783 | 35818 |
| Single premiums | **12** | | | 7 | 7 | 35 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 318 | | | 318 | 383 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 22989 | 479 | 4998 | 28465 | 35435 |
| Single premiums | **18** | | | 7 | 7 | 35 |
| **Total** | | | | | | |
| Gross | **19** | 23306 | 479 | 5005 | 28790 | 35854 |
| Reinsurance | **20** | 318 | | | 318 | 383 |
| Net | **21** | 22989 | 479 | 5005 | 28472 | 35470 |

**Form 41**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 23580 | 6967 | (29) | 30518 | 76271 |
| Single premiums | **12** | | (5) | | (5) | 521 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 748 | | | 748 | 838 |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | | | | |
| Single premiums | **16** | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 22832 | 6967 | (29) | 29770 | 75433 |
| Single premiums | **18** | | (5) | | (5) | 521 |
| **Total** | | | | | | |
| Gross | **19** | 23580 | 6962 | (29) | 30512 | 76792 |
| Reinsurance | **20** | 748 | | | 748 | 838 |
| Net | **21** | 22832 | 6962 | (29) | 29764 | 75954 |

Form 41

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | 172079 | 72789 | 3600 | 248468 | 290746 |
| Single premiums | **12** | 7621 | 22488 | (10) | 30098 | 18778 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | 45403 | 1810 | 925 | 48137 | 55346 |
| Single premiums | **14** | | (56271) | | (56271) | 3349804 |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | 186 | 17 | | 203 | 5069 |
| Single premiums | **16** | | 4259 | | 4259 | (627149) |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | 126491 | 70962 | 2675 | 200128 | 230331 |
| Single premiums | **18** | 7621 | 74500 | (10) | 82111 | (2703877) |
| **Total** | | | | | | |
| Gross | **19** | 179700 | 95276 | 3590 | 278566 | 309524 |
| Reinsurance | **20** | 45588 | (50186) | 925 | (3672) | 2783070 |
| Net | **21** | 134112 | 145462 | 2665 | 282239 | (2473546) |

Form 41

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Regular premiums | **11** | | 200 | | 200 | 237 |
| Single premiums | **12** | | | | | 69 |
| **Reinsurance - external** | | | | | | |
| Regular premiums | **13** | | | | | |
| Single premiums | **14** | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | **15** | | 200 | | 200 | 237 |
| Single premiums | **16** | | | | | 69 |
| **Net of reinsurance** | | | | | | |
| Regular premiums | **17** | | | | | |
| Single premiums | **18** | | | | | |
| **Total** | | | | | | |
| Gross | **19** | | 200 | | 200 | 306 |
| Reinsurance | **20** | | 200 | | 200 | 306 |
| Net | **21** | | | | | |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Summary** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | 11 | 224807 | 52312 | 4306 | 281426 | 267610 |
| Disability periodic payments | 12 | 48740 | (7) | 36 | 48769 | 47960 |
| Surrender or partial surrender | 13 | 339765 | 847554 | 62948 | 1250267 | 1260320 |
| Annuity payments | 14 | 12569 | 612826 | 28719 | 654114 | 551815 |
| Lump sums on maturity | 15 | 1202481 | 163138 | 5380 | 1370999 | 1525054 |
| **Total** | 16 | 1828362 | 1675824 | 101390 | 3605575 | 3652761 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 34661 | 38 | 4 | 34703 | 43369 |
| Disability periodic payments | 22 | 10968 | | 30 | 10997 | 11934 |
| Surrender or partial surrender | 23 | 21482 | | 3 | 21485 | 23309 |
| Annuity payments | 24 | 889 | 300080 | | 300969 | 255455 |
| Lump sums on maturity | 25 | 1032 | | | 1032 | 170 |
| **Total** | 26 | 69031 | 300118 | 37 | 369185 | 334237 |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | 31 | 2624 | 96 | | 2720 | 2369 |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | 11228 | 5485 | | 16713 | 18026 |
| Annuity payments | 34 | | | | | 21339 |
| Lump sums on maturity | 35 | | 3475 | | 3475 | 4356 |
| **Total** | 36 | 13852 | 9057 | | 22909 | 46089 |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | 187522 | 52178 | 4302 | 244003 | 221872 |
| Disability periodic payments | 42 | 37772 | (7) | 7 | 37772 | 36026 |
| Surrender or partial surrender | 43 | 307055 | 842069 | 62945 | 1212069 | 1218985 |
| Annuity payments | 44 | 11680 | 312746 | 28719 | 353146 | 275022 |
| Lump sums on maturity | 45 | 1201450 | 159663 | 5380 | 1366492 | 1520529 |
| **Total** | 46 | 1745479 | 1366649 | 101353 | 3213481 | 3272434 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | **11** | 10937 | | | 10937 | 10507 |
| Disability periodic payments | **12** | | | | | |
| Surrender or partial surrender | **13** | 2956 | | | 2956 | 3718 |
| Annuity payments | **14** | | | | | |
| Lump sums on maturity | **15** | 37342 | | | 37342 | 66617 |
| **Total** | **16** | 51235 | | | 51235 | 80843 |
| **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** | 10937 | | | 10937 | 10507 |
| Disability periodic payments | **42** | | | | | |
| Surrender or partial surrender | **43** | 2956 | | | 2956 | 3718 |
| Annuity payments | **44** | | | | | |
| Lump sums on maturity | **45** | 37342 | | | 37342 | 66617 |
| **Total** | **46** | 51235 | | | 51235 | 80843 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | **11** | 5379 | 8818 | 87 | 14284 | 10458 |
| Disability periodic payments | **12** | 387 | | | 387 | 844 |
| Surrender or partial surrender | **13** | 20013 | 111209 | 5060 | 136283 | 142501 |
| Annuity payments | **14** | 228 | 964 | | 1192 | 982 |
| Lump sums on maturity | **15** | 100382 | 6502 | 2511 | 109395 | 116974 |
| **Total** | **16** | 126390 | 127493 | 7659 | 261541 | 271758 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | **21** | (9) | | | (9) | 36 |
| Disability periodic payments | **22** | | | | | |
| Surrender or partial surrender | **23** | | | | | 6 |
| Annuity payments | **24** | | | | | |
| Lump sums on maturity | **25** | 15 | | | 15 | 39 |
| **Total** | **26** | 6 | | | 6 | 81 |
| **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** | 5388 | 8818 | 87 | 14294 | 10422 |
| Disability periodic payments | **42** | 387 | | | 387 | 844 |
| Surrender or partial surrender | **43** | 20013 | 111209 | 5060 | 136283 | 142495 |
| Annuity payments | **44** | 228 | 964 | | 1192 | 982 |
| Lump sums on maturity | **45** | 100367 | 6502 | 2511 | 109380 | 116935 |
| **Total** | **46** | 126384 | 127493 | 7659 | 261535 | 271677 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | 11 | 1065 | 47 | | 1112 | 1479 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | 907 | 408 | | 1315 | 1647 |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | 18810 | 2089 | | 20899 | 22486 |
| **Total** | 16 | 20782 | 2544 | | 23327 | 25613 |
| **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 | 1065 | 47 | | 1112 | 1479 |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | 907 | 408 | | 1315 | 1647 |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | 18810 | 2089 | | 20899 | 22486 |
| **Total** | 46 | 20782 | 2544 | | 23327 | 25613 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | 11 | 2302 | | | 2302 | 731 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | 1921 | | | 1921 | 2356 |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | 9351 | | | 9351 | 2469 |
| **Total** | 16 | 13574 | | | 13574 | 5556 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 58 | | | 58 | 1307 |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | 187 | | | 187 | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | 705 | | | 705 | (238) |
| **Total** | 26 | 949 | | | 949 | 1069 |
| **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 | 2244 | | | 2244 | (576) |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | 1734 | | | 1734 | 2356 |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | 8647 | | | 8647 | 2707 |
| **Total** | 46 | 12625 | | | 12625 | 4486 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | 11 | 2123 | 1824 | 34 | 3981 | 5120 |
| Disability periodic payments | 12 | 129 | | 36 | 166 | 205 |
| Surrender or partial surrender | 13 | 3944 | 10291 | 807 | 15042 | 40912 |
| Annuity payments | 14 | 3266 | 71602 | 2470 | 77337 | 78548 |
| Lump sums on maturity | 15 | 73722 | 10908 | 210 | 84840 | 99495 |
| **Total** | 16 | 83184 | 94625 | 3557 | 181366 | 224280 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 125 | | 4 | 129 | (242) |
| Disability periodic payments | 22 | 57 | | 30 | 87 | (35) |
| Surrender or partial surrender | 23 | 28 | | 3 | 31 | (38) |
| Annuity payments | 24 | | 55238 | | 55238 | 55138 |
| Lump sums on maturity | 25 | 60 | | | 60 | 46 |
| **Total** | 26 | 271 | 55238 | 37 | 55545 | 54869 |
| **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 | 1998 | 1824 | 30 | 3852 | 5362 |
| Disability periodic payments | 42 | 72 | | 7 | 79 | 240 |
| Surrender or partial surrender | 43 | 3916 | 10291 | 804 | 15010 | 40950 |
| Annuity payments | 44 | 3266 | 16364 | 2470 | 22099 | 23410 |
| Lump sums on maturity | 45 | 73662 | 10908 | 210 | 84780 | 99449 |
| **Total** | 46 | 82914 | 39387 | 3520 | 125821 | 169411 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | **11** | 40432 | 3613 | 545 | 44589 | 45808 |
| Disability periodic payments | **12** | 935 | | | 935 | 322 |
| Surrender or partial surrender | **13** | 53047 | 50428 | 2162 | 105637 | 147247 |
| Annuity payments | **14** | 1627 | 46986 | 4124 | 52737 | 54390 |
| Lump sums on maturity | **15** | 367774 | 4992 | 1860 | 374626 | 368062 |
| **Total** | **16** | 463814 | 106019 | 8691 | 578524 | 615830 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | **21** | 12763 | | | 12763 | 18902 |
| Disability periodic payments | **22** | | | | | 23 |
| Surrender or partial surrender | **23** | 47 | | | 47 | |
| Annuity payments | **24** | | | | | |
| Lump sums on maturity | **25** | | | | | |
| **Total** | **26** | 12810 | | | 12810 | 18925 |
| **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** | 27668 | 3613 | 545 | 31826 | 26906 |
| Disability periodic payments | **42** | 935 | | | 935 | 299 |
| Surrender or partial surrender | **43** | 53000 | 50428 | 2162 | 105590 | 147247 |
| Annuity payments | **44** | 1627 | 46986 | 4124 | 52737 | 54390 |
| Lump sums on maturity | **45** | 367774 | 4992 | 1860 | 374626 | 368062 |
| **Total** | **46** | 451004 | 106019 | 8691 | 565714 | 596905 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | 11 | 4677 | 2018 | | 6695 | 4520 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | 36419 | 69212 | | 105631 | 79881 |
| Annuity payments | 14 | | 44242 | | 44242 | 3978 |
| Lump sums on maturity | 15 | 45344 | 48015 | | 93359 | 157759 |
| **Total** | 16 | 86440 | 163487 | | 249927 | 246138 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | | | | | |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | 43 | | | 43 | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | 133 | | | 133 | |
| **Total** | 26 | 176 | | | 176 | |
| **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 | 4677 | 2018 | | 6695 | 4520 |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | 36376 | 69212 | | 105588 | 79881 |
| Annuity payments | 44 | | 44242 | | 44242 | 3978 |
| Lump sums on maturity | 45 | 45211 | 48015 | | 93226 | 157759 |
| **Total** | 46 | 86263 | 163487 | | 249750 | 246138 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | 9127 | 433 | 2001 | 11561 | 10844 |
| Disability periodic payments | 12 | 745 | | | 745 | 353 |
| Surrender or partial surrender | 13 | 45166 | 52694 | 46219 | 144079 | 123219 |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | 203072 | 16968 | 325 | 220365 | 230695 |
| **Total** | 16 | 258110 | 70095 | 48545 | 376750 | 365111 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 9 | | | 9 | 276 |
| Disability periodic payments | 22 | 485 | | | 485 | 205 |
| Surrender or partial surrender | 23 | (19) | | | (19) | 19 |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | 132 |
| **Total** | 26 | 475 | | | 475 | 632 |
| **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 | 9118 | 433 | 2001 | 11552 | 10569 |
| Disability periodic payments | 42 | 260 | | | 260 | 148 |
| Surrender or partial surrender | 43 | 45185 | 52694 | 46219 | 144098 | 123200 |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | 203072 | 16968 | 325 | 220365 | 230563 |
| **Total** | 46 | 257635 | 70095 | 48545 | 376275 | 364479 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Death or disability lump sums | **11** | 7600 | 5912 | 14 | 13525 | 34708 |
| Disability periodic payments | **12** | 3112 | (7) | | 3105 | 5023 |
| Surrender or partial surrender | **13** | 13210 | 84574 | 33 | 97817 | 155596 |
| Annuity payments | **14** | 1899 | 55135 | 888 | 57922 | 58136 |
| Lump sums on maturity | **15** | 214395 | 10961 | 329 | 225686 | 211836 |
| **Total** | **16** | 240216 | 156575 | 1265 | 398056 | 465299 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | **21** | 1927 | | | 1927 | 1120 |
| Disability periodic payments | **22** | 360 | | | 360 | 495 |
| Surrender or partial surrender | **23** | | | | | |
| Annuity payments | **24** | 124 | | | 124 | 260 |
| Lump sums on maturity | **25** | | | | | |
| **Total** | **26** | 2411 | | | 2411 | 1875 |
| **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** | 5673 | 5912 | 14 | 11599 | 33588 |
| Disability periodic payments | **42** | 2752 | (7) | | 2745 | 4528 |
| Surrender or partial surrender | **43** | 13210 | 84574 | 33 | 97817 | 155596 |
| Annuity payments | **44** | 1775 | 55135 | 888 | 57798 | 57876 |
| Lump sums on maturity | **45** | 214395 | 10961 | 329 | 225686 | 211836 |
| **Total** | **46** | 237805 | 156575 | 1265 | 395645 | 463424 |

Form 42

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| 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** | 138550 | 29371 | 1626 | 169547 | 141095 |
| Disability periodic payments | **12** | 43432 | | | 43432 | 41214 |
| Surrender or partial surrender | **13** | 151127 | 464693 | 8666 | 624486 | 547162 |
| Annuity payments | **14** | 5549 | 393898 | 21237 | 420685 | 355782 |
| Lump sums on maturity | **15** | 132287 | 61698 | 145 | 194130 | 247216 |
| **Total** | **16** | 470946 | 949660 | 31674 | 1452279 | 1332468 |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | **21** | 19789 | 38 | | 19826 | 21970 |
| Disability periodic payments | **22** | 10065 | | | 10065 | 11246 |
| Surrender or partial surrender | **23** | 21196 | | | 21196 | 23321 |
| Annuity payments | **24** | 764 | 244842 | | 245606 | 200057 |
| Lump sums on maturity | **25** | 118 | | | 118 | 191 |
| **Total** | **26** | 51933 | 244880 | | 296813 | 256785 |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | **31** | 7 | (179) | | (172) | 30 |
| Disability periodic payments | **32** | | | | | |
| Surrender or partial surrender | **33** | 174 | 1440 | | 1614 | 1945 |
| Annuity payments | **34** | | | | | 21339 |
| Lump sums on maturity | **35** | | 2471 | | 2471 | 2910 |
| **Total** | **36** | 181 | 3731 | | 3912 | 26224 |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | **41** | 118754 | 29513 | 1626 | 149893 | 119095 |
| Disability periodic payments | **42** | 33367 | | | 33367 | 29967 |
| Surrender or partial surrender | **43** | 129758 | 463253 | 8666 | 601676 | 521895 |
| Annuity payments | **44** | 4785 | 149056 | 21237 | 175078 | 134386 |
| Lump sums on maturity | **45** | 132169 | 59227 | 145 | 191541 | 244115 |
| **Total** | **46** | 418832 | 701049 | 31674 | 1151555 | 1049459 |

**Form 42**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | 2617 | 276 | | 2892 | 2339 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | 11054 | 4045 | | 15099 | 16080 |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | | 1005 | | 1005 | 1446 |
| **Total** | 16 | 13671 | 5326 | | 18997 | 19865 |
| **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 | 2617 | 276 | | 2892 | 2339 |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | 11054 | 4045 | | 15099 | 16080 |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | | 1005 | | 1005 | 1446 |
| **Total** | 36 | 13671 | 5326 | | 18997 | 19865 |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | | | | | |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | | | | | |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | | | | | |
| **Total** | 46 | | | | | |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Summary** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 3055 | 4451 | 559 | 8065 | 1334 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 79794 | 140844 | 8712 | 229350 | 234254 |
| Management - other | 15 | 10309 | 17899 | 207 | 28416 | 66175 |
| **Total** | 16 | 93159 | 163194 | 9478 | 265831 | 301763 |
| **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 | 194 | 479 | | 673 | 875 |
| Management - other | 35 | | | | | |
| **Total** | 36 | 194 | 479 | | 673 | 875 |
| **Net of reinsurance** | | | | | | |
| Commission - acquisition | 41 | | | | | |
| Commission - other | 42 | 3055 | 4451 | 559 | 8065 | 1334 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 79600 | 140364 | 8712 | 228677 | 233379 |
| Management - other | 45 | 10309 | 17899 | 207 | 28416 | 66175 |
| **Total** | 46 | 92965 | 162715 | 9478 | 265158 | 300889 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 4 | | | 4 | 10 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 5144 | | | 5144 | 5743 |
| Management - other | 15 | 421 | | | 421 | 602 |
| **Total** | 16 | 5568 | | | 5568 | 6355 |
| **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 | 4 | | | 4 | 10 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 5144 | | | 5144 | 5743 |
| Management - other | 45 | 421 | | | 421 | 602 |
| **Total** | 46 | 5568 | | | 5568 | 6355 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 36 | 233 | | 269 | 306 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 3047 | 19476 | | 22523 | 26612 |
| Management - other | 15 | 377 | 2410 | | 2787 | 5618 |
| **Total** | 16 | 3460 | 22119 | | 25580 | 32536 |
| **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 | 36 | 233 | | 269 | 306 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 3047 | 19476 | | 22523 | 26612 |
| Management - other | 45 | 377 | 2410 | | 2787 | 5618 |
| **Total** | 46 | 3460 | 22119 | | 25580 | 32536 |

Form 43

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | | | | | 2 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 495 | 58 | | 552 | 222 |
| Management - other | 15 | | | | | |
| **Total** | 16 | 495 | 58 | | 552 | 224 |
| **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 | | | | | 2 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 495 | 58 | | 552 | 222 |
| Management - other | 45 | | | | | |
| **Total** | 46 | 495 | 58 | | 552 | 224 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | **11** | | | | | |
| Commission - other | **12** | 12 | | | 12 | 7 |
| Management - acquisition | **13** | | | | | |
| Management - maintenance | **14** | 317 | | | 317 | 382 |
| Management - other | **15** | 55 | | | 55 | 91 |
| **Total** | **16** | 385 | | | 385 | 481 |
| **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** | 12 | | | 12 | 7 |
| Management - acquisition | **43** | | | | | |
| Management - maintenance | **44** | 317 | | | 317 | 382 |
| Management - other | **45** | 55 | | | 55 | 91 |
| **Total** | **46** | 385 | | | 385 | 481 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 16 | 44 | | 60 | 44 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 3452 | 9671 | 67 | 13190 | 16916 |
| Management - other | 15 | 621 | 1740 | 12 | 2373 | 4190 |
| **Total** | 16 | 4088 | 11455 | 79 | 15623 | 21150 |
| **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 | 16 | 44 | | 60 | 44 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 3452 | 9671 | 67 | 13190 | 16916 |
| Management - other | 45 | 621 | 1740 | 12 | 2373 | 4190 |
| **Total** | 46 | 4088 | 11455 | 79 | 15623 | 21150 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | **11** | | | | | |
| Commission - other | **12** | 349 | 393 | 19 | 761 | (4158) |
| Management - acquisition | **13** | | | | | |
| Management - maintenance | **14** | 9569 | 10917 | 529 | 21016 | 24518 |
| Management - other | **15** | 1744 | 1843 | 89 | 3677 | 9088 |
| **Total** | **16** | 11662 | 13153 | 638 | 25453 | 29447 |
| **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** | 349 | 393 | 19 | 761 | (4158) |
| Management - acquisition | **43** | | | | | |
| Management - maintenance | **44** | 9569 | 10917 | 529 | 21016 | 24518 |
| Management - other | **45** | 1744 | 1843 | 89 | 3677 | 9088 |
| **Total** | **46** | 11662 | 13153 | 638 | 25453 | 29447 |

**Form 43**

## Long-term insurance business : Analysis of expenses

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 7 | 82 | | 88 | 117 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 1050 | 13155 | | 14204 | 13866 |
| Management - other | 15 | 109 | 1367 | | 1477 | 2953 |
| **Total** | 16 | 1165 | 14604 | | 15769 | 16936 |
| **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 | 7 | 82 | | 88 | 117 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 1050 | 13155 | | 14204 | 13866 |
| Management - other | 45 | 109 | 1367 | | 1477 | 2953 |
| **Total** | 46 | 1165 | 14604 | | 15769 | 16936 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 565 | 94 | 381 | 1040 | 1088 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 7504 | 1251 | 4484 | 13239 | 12464 |
| Management - other | 15 | 1162 | 194 | | 1356 | 1820 |
| **Total** | 16 | 9230 | 1539 | 4865 | 15634 | 15372 |
| **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 | 565 | 94 | 381 | 1040 | 1088 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 7504 | 1251 | 4484 | 13239 | 12464 |
| Management - other | 45 | 1162 | 194 | | 1356 | 1820 |
| **Total** | 46 | 9230 | 1539 | 4865 | 15634 | 15372 |

**Form 43**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 241 | 469 | 1 | 710 | (3022) |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 7234 | 14066 | 26 | 21326 | 25954 |
| Management - other | 15 | 1255 | 2440 | 5 | 3699 | 7995 |
| **Total** | 16 | 8730 | 16974 | 32 | 25735 | 30926 |
| **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 | 241 | 469 | 1 | 710 | (3022) |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 7234 | 14066 | 26 | 21326 | 25954 |
| Management - other | 45 | 1255 | 2440 | 5 | 3699 | 7995 |
| **Total** | 46 | 8730 | 16974 | 32 | 25735 | 30926 |

Form 43

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | 1827 | 3137 | 158 | 5121 | 6941 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 41790 | 71770 | 3606 | 117165 | 106703 |
| Management - other | 15 | 4565 | 7905 | 101 | 12572 | 33818 |
| **Total** | 16 | 48181 | 82812 | 3865 | 134858 | 147462 |
| **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 | 1827 | 3137 | 158 | 5121 | 6941 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 41790 | 71770 | 3606 | 117165 | 106703 |
| Management - other | 45 | 4565 | 7905 | 101 | 12572 | 33818 |
| **Total** | 46 | 48181 | 82812 | 3865 | 134858 | 147462 |

Form 43

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | | | | | |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 194 | 479 | | 673 | 875 |
| Management - other | 15 | | | | | |
| **Total** | 16 | 194 | 479 | | 673 | 875 |
| **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 | 194 | 479 | | 673 | 875 |
| Management - other | 35 | | | | | |
| **Total** | 36 | 194 | 479 | | 673 | 875 |
| **Net of reinsurance** | | | | | | |
| Commission - acquisition | 41 | | | | | |
| Commission - other | 42 | | | | | |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | | | | | |
| Management - other | 45 | | | | | |
| **Total** | 46 | | | | | |

**Form 44**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Internal linked funds (excluding cross investment)** | | | |
| Directly held assets (excluding collective investment schemes) | **11** | 3595243 | 3430788 |
| Directly held assets in collective investment schemes of connected companies | **12** | 6995573 | 6604199 |
| Directly held assets in other collective investment schemes | **13** | 135525 | 155749 |
| **Total assets (excluding cross investment) (11+12+ 13)** | **14** | 10726341 | 10190735 |
| Provision for tax on unrealised capital gains | **15** | 17305 | 2097 |
| Secured and unsecured loans | **16** | | |
| Other liabilities | **17** | 49447 | 66854 |
| **Total net assets (14-15-16-17)** | **18** | 10659589 | 10121785 |
| **Directly held linked assets** | | | |
| Value of directly held linked assets | **21** | 55354 | 74122 |
| **Total** | | | |
| Value of directly held linked assets and units held (18+21) | **31** | 10714943 | 10195907 |
| Surplus units | **32** | 35406 | 55720 |
| Deficit units | **33** | | |
| **Net unit liability (31-32+33)** | **34** | 10679537 | 10140186 |

Form 45

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year 1 | Previous year 2 |
|---|---|---|---|
| **Income** | | | |
| Value of total creation of units | **11** | 341203 | 462508 |
| Investment income attributable to the funds before deduction of tax | **12** | 286131 | 315879 |
| Increase (decrease) in the value of investments in the financial year | **13** | 1275167 | 620020 |
| Other income | **14** | | |
| **Total income** | **19** | 1902501 | 1398408 |
| **Expenditure** | | | |
| Value of total cancellation of units | **21** | 1231910 | 1289939 |
| Charges for management | **22** | 102201 | 92464 |
| Charges in respect of tax on investment income | **23** | 3199 | 15189 |
| Taxation on realised capital gains | **24** | 7910 | 1944 |
| Increase (decrease) in amount set aside for tax on capital gains not yet realised | **25** | 12388 | (1036) |
| Other expenditure | **26** | 7089 | 1868 |
| **Total expenditure** | **29** | 1364697 | 1400368 |
| | | | |
| Increase (decrease) in funds in financial year (19-29) | **39** | 537804 | (1960) |
| Internal linked fund brought forward | **49** | 10121785 | 10123745 |
| Internal linked funds carried forward (39+49) | **59** | 10659589 | 10121785 |

**Form 46**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Number of new policyholders/ scheme members for direct insurance business** | | | | | | |
| Regular premium business | **11** | 482 | 936 | 92 | 1510 | 2262 |
| Single premium business | **12** | | 594 | 2 | 596 | 1317 |
| **Total** | **13** | 482 | 1530 | 94 | 2106 | 3579 |
| **Amount of new regular premiums** | | | | | | |
| Direct insurance business | **21** | 215 | 1316 | 9 | 1540 | 2590 |
| External reinsurance | **22** | | | | | |
| Intra-group reinsurance | **23** | | | | | |
| **Total** | **24** | 215 | 1316 | 9 | 1540 | 2590 |
| **Amount of new single premiums** | | | | | | |
| Direct insurance business | **25** | 7652 | 24259 | (9) | 31902 | 6138 |
| External reinsurance | **26** | | | | | |
| Intra-group reinsurance | **27** | | 390 | | 390 | 18907 |
| **Total** | **28** | 7652 | 24649 | (9) | 32292 | 25045 |

**Form 47**
**(Sheet 1)**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Direct Insurance Business | |

| Product code number | Product description | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 100 | Conventional whole life with-profits OB | 4 | 0 | | 0 |
| 105 | Conventional whole life with-profits IB | 13 | 0 | | |
| 120 | Conventional endowment with-profits OB savings | 21 | 1 | | |
| 125 | Conventional endowment with-profits OB target cash | 1 | 2 | | |
| 300 | Regular premium non-profit WL/EA OB | 38 | 30 | | |
| 310 | Non-profit IB | 1 | 0 | | |
| 325 | Level term assurance | 177 | 27 | | |
| 330 | Decreasing term assurance | 63 | 3 | | |
| 350 | Stand-alone critical illness (guaranteed premiums) | 3 | 0 | | |
| 355 | Stand-alone critical illness (reviewable premiums) | 1 | 0 | | |
| 365 | Income protection non-profit (reviewable premiums) | 53 | 0 | | |
| 500 | Life UWP single premium | | | | 210 |
| 505 | Life UWP whole life regular premium | 88 | 66 | | |
| 700 | Life property linked single premium | | | | 7443 |
| 715 | Life property linked endowment regular premium - savings | 8 | 3 | | |

Form 47
(Sheet 2)

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

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2013**

Units **£000**

UK Life / Direct Insurance Business

| Product code number | Product description | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 720 | Life property linked endowment regular premium - target cash | 2 | 0 | | |
| 795 | Miscellaneous property linked | 8 | 80 | | |
| 910 | Miscellaneous index linked | 1 | 1 | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Form 47
(Sheet 1)

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

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Direct Insurance Business

| Product code number | Product description | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 155 | Conventional pensions endowment with-profits | 2 | 4 | 16 | 31 |
| 165 | Conventional deferred annuity with-profits | 131 | 18 | 19 | 21 |
| 175 | Group conventional deferred annuity with-profits | 731 | 158 | 60 | 108 |
| 185 | Group conventional pensions endowment with-profits | 18 | 19 | 7 | 7 |
| 200 | Annuity with-profits (CPA) | | | 59 | 30 |
| 325 | Level term assurance | 11 | 2 | | |
| 390 | Deferred annuity non-profit | | | 7 | 1 |
| 525 | Individual pensions UWP | | 54 | 74 | 265 |
| 565 | DWP National Insurance rebates UWP | 43 | 6 | 70 | 190 |
| 725 | Individual pensions property linked | | 306 | 173 | 6553 |
| 730 | Individual pensions property linked - increments | | 36 | | 221 |
| 735 | Group money purchase pensions property linked | | 713 | 61 | 590 |
| 745 | DWP National Insurance rebates property linked | | | 1 | 0 |
| 750 | Income drawdown property linked | | | 41 | 16032 |
| 755 | Trustee investment plan | | | 5 | 199 |

**Form 47**
**(Sheet 2)**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Direct Insurance Business | |

| Product code number | Product description | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 765 | Group managed fund | | | 1 | 10 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Reinsurance accepted intra-group | |

| Product code number | Product description | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 730 | Individual pensions property linked - increments | | | | 194 |
| 735 | Group money purchase pensions property linked | | | | 196 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Direct Insurance Business | |



| Product code number | Product description | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 100 | Conventional whole life with-profits OB | | | | 0 |
| 120 | Conventional endowment with-profits OB savings | 80 | 9 | | |
| 165 | Conventional deferred annuity with-profits | 4 | | 2 | (9) |
| 330 | Decreasing term assurance | 1 | 0 | | |
| 710 | Life property linked whole life regular premium | 7 | 0 | | |
| 725 | Individual pensions property linked | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **10 Total long term insurance business assets** |
| Financial year ended | **31 December 2013** |
| 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 | 121453 | 176123 | 108 | 0.06 | |
| Approved fixed interest securities | 12 | 3375386 | 3677114 | 114771 | 2.60 | |
| Other fixed interest securities | 13 | 404698 | 4392147 | 216159 | 4.25 | |
| Variable interest securities | 14 | 380788 | 352856 | 5605 | (0.12) | |
| UK listed equity shares | 15 | 19870 | 21415 | 1064 | 0.37 | |
| Non-UK listed equity shares | 16 | 26 | 2463 | 25 | 3.34 | |
| Unlisted equity shares | 17 | 33970 | 33970 | | | |
| Other assets | 18 | 5563595 | 1243698 | 3074 | 0.18 | |
| **Total** | 19 | 9899785 | 9899785 | 340806 | 2.87 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | 161634 | 805269 | 40398 | 5.02 | 19.16 |
| Approved fixed interest securities | 22 | 4998055 | 5752249 | 179803 | 2.34 | (2.15) |
| Other fixed interest securities | 23 | 16871 | 3072172 | 132960 | 4.24 | 1.70 |
| Variable interest securities | 24 | 660709 | 657720 | 9054 | (0.48) | (0.38) |
| UK listed equity shares | 25 | 41664 | 1876776 | 57538 | 4.89 | 22.33 |
| Non-UK listed equity shares | 26 | 30157 | 2382548 | 22371 | 3.29 | 17.91 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 15971942 | 7334299 | 22121 | 0.30 | 1.66 |
| **Total** | 29 | 21881032 | 21881032 | 464246 | 2.26 | 4.79 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 5.91 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 5.15 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 6.09 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **11 100% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Unadjusted assets 1 | Economic exposure 2 | Expected income from assets in column 2 3 | Yield before adjustment 4 | Return on assets in financial year 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 | | 5397 | 341 | 6.31 | 22.90 |
| Approved fixed interest securities | 22 | 28885 | 32217 | 803 | 1.66 | (0.13) |
| Other fixed interest securities | 23 | 34 | 18601 | 750 | 4.38 | (0.13) |
| Variable interest securities | 24 | 321 | 321 | 6 | (1.39) | |
| UK listed equity shares | 25 | 249 | 14820 | 469 | 4.91 | 22.43 |
| Non-UK listed equity shares | 26 | 86 | 18403 | 175 | 3.31 | 19.51 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 77533 | 17349 | 42 | 0.24 | |
| **Total** | 29 | 107109 | 107109 | 2585 | 2.86 | 7.55 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 7.44 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | 5.98 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **12 Non-Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Unadjusted assets<br>1 | Economic exposure<br>2 | Expected income from assets in column 2<br>3 | Yield before adjustment<br>4 | Return on assets in financial year<br>5 |
|---|---|---|---|---|---|---|
| **Assets backing non-profit liabilities and non-profit capital requirements** | | | | | | |
| Land and buildings | **11** | 121453 | 174397 | | | |
| Approved fixed interest securities | **12** | 824328 | 1063297 | 33127 | 2.78 | |
| Other fixed interest securities | **13** | 363070 | 3329410 | 159401 | 4.28 | |
| Variable interest securities | **14** | 368533 | 340601 | 4838 | (0.10) | |
| UK listed equity shares | **15** | 19791 | 19791 | 1013 | | |
| Non-UK listed equity shares | **16** | | | | | |
| Unlisted equity shares | **17** | 33970 | 33970 | | | |
| Other assets | **18** | 4464638 | 1234316 | 2956 | 0.17 | |
| **Total** | **19** | 6195782 | 6195782 | 201335 | 2.81 | |
| **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 Limited** |
| Category of assets | **13 90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | 2381 | 2645 | 97 | 3.16 | |
| Other fixed interest securities | 13 | 33 | 3805 | 169 | 4.27 | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 4035 | | | | |
| **Total** | 19 | 6449 | 6449 | 267 | 3.82 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | | 5426 | 339 | 6.25 | 14.36 |
| Approved fixed interest securities | 22 | 38301 | 41598 | 1438 | 3.16 | (1.66) |
| Other fixed interest securities | 23 | 22 | 21476 | 894 | 4.27 | (1.66) |
| Variable interest securities | 24 | 2004 | 2004 | 27 | (0.17) | (1.66) |
| UK listed equity shares | 25 | 251 | 14854 | 469 | 4.90 | 22.45 |
| Non-UK listed equity shares | 26 | 111 | 18250 | 176 | 3.29 | 19.44 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 82419 | 19500 | 44 | 0.23 | |
| **Total** | 29 | 123108 | 123108 | 3388 | 3.20 | 7.22 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 7.12 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 7.22 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 6.59 |

**Form 48**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **14 Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| 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 | 28549 | 29525 | 881 | 1.43 | |
| Other fixed interest securities | 13 | 162 | 7972 | 388 | 4.12 | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 8787 | | | | |
| **Total** | 19 | 37497 | 37497 | 1269 | 2.00 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | | 9049 | 572 | 6.32 | 23.59 |
| Approved fixed interest securities | 22 | 121769 | 130613 | 3573 | 1.43 | (1.37) |
| Other fixed interest securities | 23 | 12 | 58028 | 2574 | 4.12 | 1.15 |
| Variable interest securities | 24 | 21947 | 21947 | 389 | (1.03) | (0.90) |
| UK listed equity shares | 25 | 791 | 22849 | 725 | 4.91 | 22.50 |
| Non-UK listed equity shares | 26 | 123 | 29128 | 291 | 3.28 | 20.04 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 248187 | 121214 | 328 | 0.27 | 2.29 |
| **Total** | 29 | 392828 | 392828 | 8452 | 1.78 | 6.84 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 6.71 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 6.84 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 5.57 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **15 Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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** | 116131 | 118679 | 3875 | 2.72 | |
| Other fixed interest securities | **13** | 458 | 33419 | 1633 | 4.17 | |
| Variable interest securities | **14** | | | | | |
| UK listed equity shares | **15** | | | | | |
| Non-UK listed equity shares | **16** | | | | | |
| Unlisted equity shares | **17** | | | | | |
| Other assets | **18** | 35509 | | | | |
| **Total** | **19** | 152098 | 152098 | 5509 | 3.04 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | **21** | 104528 | 270294 | 10451 | 3.87 | 17.23 |
| Approved fixed interest securities | **22** | 1224231 | 1406174 | 43437 | 2.72 | (3.56) |
| Other fixed interest securities | **23** | 2781 | 741526 | 29951 | 4.17 | 7.26 |
| Variable interest securities | **24** | 158944 | 158944 | 2237 | (0.85) | (0.62) |
| UK listed equity shares | **25** | 16067 | 604288 | 18976 | 4.87 | 22.56 |
| Non-UK listed equity shares | **26** | 13958 | 747157 | 7167 | 3.26 | 19.20 |
| Unlisted equity shares | **27** | | | | | |
| Other assets | **28** | 3636500 | 1228627 | 3369 | 0.28 | (2.40) |
| **Total** | **29** | 5157009 | 5157009 | 115588 | 2.63 | 7.70 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | **31** | | | | | 7.56 |
| Return allocated to non taxable 'asset shares' | **32** | | | | | 7.70 |
| Return allocated to taxable 'asset shares' | **33** | | | | | 6.34 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **16 Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | 852088 | 876080 | 27901 | 2.31 | |
| Other fixed interest securities | 13 | 12426 | 400316 | 19329 | 4.36 | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 412269 | 387 | 1 | 0.22 | |
| **Total** | 19 | 1276783 | 1276783 | 47232 | 2.95 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | 57106 | 155504 | 6215 | 4.00 | 15.11 |
| Approved fixed interest securities | 22 | 824696 | 928473 | 29579 | 2.31 | (1.65) |
| Other fixed interest securities | 23 | 5170 | 485205 | 23434 | 4.36 | (1.65) |
| Variable interest securities | 24 | 103143 | 102292 | 1508 | (0.02) | (1.65) |
| UK listed equity shares | 25 | 6123 | 346970 | 10913 | 4.89 | 22.21 |
| Non-UK listed equity shares | 26 | 3231 | 427195 | 4049 | 3.30 | 17.00 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 3089740 | 1643570 | 3569 | 0.22 | 4.22 |
| **Total** | 29 | 4089210 | 4089210 | 79267 | 2.04 | 9.14 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 8.97 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 8.78 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 8.04 |

Form 48

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **17 Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | | 872 | 55 | 6.32 | |
| Approved fixed interest securities | 12 | 436090 | 476846 | 11372 | 2.91 | |
| Other fixed interest securities | 13 | 1942 | 62765 | 7622 | 2.56 | |
| Variable interest securities | 14 | 12163 | 12163 | 767 | (0.49) | |
| UK listed equity shares | 15 | 40 | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 103727 | 1315 | 87 | 6.93 | |
| **Total** | 19 | 553961 | 553961 | 19903 | 2.81 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | | 46300 | 2927 | 6.32 | 22.47 |
| Approved fixed interest securities | 22 | 256295 | 283087 | 13510 | 1.68 | (2.70) |
| Other fixed interest securities | 23 | 3272 | 263065 | 9056 | 4.61 | 2.51 |
| Variable interest securities | 24 | 122447 | 120292 | 911 | (0.49) | (0.23) |
| UK listed equity shares | 25 | 2128 | | | | |
| Non-UK listed equity shares | 26 | 0 | 0 | | | |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 971741 | 643140 | 3338 | 0.52 | |
| **Total** | 29 | 1355883 | 1355883 | 29741 | 1.66 | 2.30 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 2.19 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | (2.36) |
| Return allocated to taxable 'asset shares' | 33 | | | | | 4.10 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **18 Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | | 75340 | 4623 | 6.14 | 22.58 |
| Approved fixed interest securities | 22 | 790858 | 911010 | 24967 | 2.07 | (1.73) |
| Other fixed interest securities | 23 | 793 | 363407 | 14803 | 4.26 | 0.63 |
| Variable interest securities | 24 | 97436 | 97436 | 1435 | (0.63) | (0.81) |
| UK listed equity shares | 25 | 3760 | 253187 | 6990 | 4.91 | 22.19 |
| Non-UK listed equity shares | 26 | 3510 | 325268 | 2763 | 3.30 | 17.89 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 2305577 | 1176288 | 3314 | 0.24 | 2.17 |
| **Total** | 29 | 3201935 | 3201935 | 58894 | 2.01 | 6.79 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 6.66 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 5.35 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 10.63 |

Form 48

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **19 SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | | 854 | 53 | 6.18 | |
| Approved fixed interest securities | 12 | 5355 | 6225 | 196 | 2.14 | |
| Other fixed interest securities | 13 | 4 | 2126 | 88 | 4.06 | |
| Variable interest securities | 14 | 92 | 92 | | (0.20) | |
| UK listed equity shares | 15 | 39 | 1624 | 51 | 4.91 | |
| Non-UK listed equity shares | 16 | 26 | 2463 | 25 | 3.34 | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 14468 | 6599 | 27 | 0.41 | |
| **Total** | 19 | 19984 | 19984 | 442 | 2.31 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | | 114986 | 7101 | 6.18 | 22.72 |
| Approved fixed interest securities | 22 | 721273 | 953721 | 26452 | 2.14 | (1.71) |
| Other fixed interest securities | 23 | 478 | 326577 | 11896 | 4.06 | 2.81 |
| Variable interest securities | 24 | 12441 | 12441 | 119 | (0.20) | |
| UK listed equity shares | 25 | 5284 | 239273 | 6933 | 4.91 | 22.50 |
| Non-UK listed equity shares | 26 | 3476 | 362810 | 3429 | 3.34 | 14.75 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 2347026 | 1080171 | 3667 | 0.34 | 3.58 |
| **Total** | 29 | 3089978 | 3089978 | 59598 | 2.21 | 8.21 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 8.08 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 6.34 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 7.89 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **20 SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 | 1110465 | 1103816 | 37320 | 2.53 | |
| Other fixed interest securities | 13 | 26603 | 552335 | 27527 | 4.17 | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 520163 | 1080 | 3 | 0.32 | |
| **Total** | 19 | 1657231 | 1657231 | 64850 | 3.08 | |
| **Assets backing with-profits liabilities and with-profits capital requirements** | | | | | | |
| Land and buildings | 21 | | 122973 | 7829 | 6.37 | 21.58 |
| Approved fixed interest securities | 22 | 991746 | 1065356 | 36044 | 2.53 | (1.51) |
| Other fixed interest securities | 23 | 4310 | 794288 | 39603 | 4.17 | (1.51) |
| Variable interest securities | 24 | 142026 | 142042 | 2422 | (0.21) | 1.05 |
| UK listed equity shares | 25 | 7011 | 380535 | 12062 | 4.91 | 22.05 |
| Non-UK listed equity shares | 26 | 5660 | 454337 | 4320 | 3.29 | 18.91 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 3213218 | 1404440 | 4450 | 0.32 | 1.05 |
| **Total** | 29 | 4363971 | 4363971 | 106732 | 2.42 | 7.97 |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 7.84 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 8.21 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 6.11 |

**Form 49**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **10 Total long term insurance business assets** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 7038985 | 9.28 | 2.41 | 2.41 |
| **Other approved fixed interest securities** | **21** | 2390378 | 7.09 | 2.54 | 2.45 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 292433 | 9.01 | 2.91 | 2.66 |
| AA/Aa | **32** | 631637 | 7.68 | 3.04 | 2.66 |
| A/A | **33** | 2308686 | 8.41 | 3.77 | 3.15 |
| BBB/Baa | **34** | 3656184 | 7.12 | 4.68 | 3.63 |
| BB/Ba | **35** | 364039 | 5.65 | 5.53 | 3.47 |
| B/B | **36** | 24096 | 6.29 | 5.88 | 2.24 |
| CCC/Caa | **37** | 1357 | 1.66 | 20.25 | |
| Other (including unrated) | **38** | 185886 | 6.02 | 4.83 | 2.22 |
| **Total other fixed interest securities** | **39** | 7464319 | 7.54 | 4.24 | 3.31 |
| **Approved variable interest securities** | **41** | 957360 | 12.29 | (0.44) | (0.44) |
| **Other variable interest securities** | **51** | 53216 | 9.86 | 1.26 | 0.68 |
| **Total (11+21+39+41+51)** | **61** | 17904257 | 8.43 | 3.03 | 2.63 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **11 100% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 26377 | 4.32 | 1.38 | 1.38 |
| **Other approved fixed interest securities** | **21** | 5840 | 6.41 | 2.90 | 2.69 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 1213 | 9.38 | 2.35 | 2.16 |
| AA/Aa | **32** | 1545 | 7.43 | 2.42 | 2.10 |
| A/A | **33** | 5731 | 8.46 | 3.71 | 3.11 |
| BBB/Baa | **34** | 9094 | 7.10 | 5.21 | 4.20 |
| BB/Ba | **35** | 911 | 6.05 | 5.91 | 3.72 |
| B/B | **36** | 99 | 6.00 | 5.23 | 1.78 |
| CCC/Caa | **37** | 6 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 0 | 6.08 | 231.38 | |
| **Total other fixed interest securities** | **39** | 18601 | 7.64 | 4.38 | 3.52 |
| **Approved variable interest securities** | **41** | 321 | 4.19 | (1.39) | (1.39) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 51139 | 5.77 | 2.63 | 2.29 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **12 Non-Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 460491 | 11.76 | 2.78 | 2.78 |
| **Other approved fixed interest securities** | **21** | 602806 | 8.88 | 2.79 | 2.74 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 79053 | 8.89 | 3.66 | 3.30 |
| AA/Aa | **32** | 305250 | 8.35 | 3.52 | 3.07 |
| A/A | **33** | 952531 | 8.40 | 3.87 | 3.20 |
| BBB/Baa | **34** | 1653987 | 7.01 | 4.54 | 3.45 |
| BB/Ba | **35** | 164341 | 5.07 | 5.50 | 3.78 |
| B/B | **36** | 1874 | 8.30 | 7.55 | 3.84 |
| CCC/Caa | **37** | | | | |
| Other (including unrated) | **38** | 172373 | 4.21 | 4.48 | 2.33 |
| **Total other fixed interest securities** | **39** | 3329410 | 7.33 | 4.28 | 3.30 |
| **Approved variable interest securities** | **41** | 297312 | 12.47 | (0.26) | (0.26) |
| **Other variable interest securities** | **51** | 43289 | 9.27 | 1.00 | 0.28 |
| **Total (11+21+39+41+51)** | **61** | 4733308 | 8.30 | 3.63 | 2.93 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **13 90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 35436 | 14.13 | 3.27 | 3.27 |
| **Other approved fixed interest securities** | **21** | 8807 | 6.40 | 2.72 | 2.51 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 1684 | 9.38 | 2.29 | 2.10 |
| AA/Aa | **32** | 2109 | 7.70 | 2.47 | 2.14 |
| A/A | **33** | 7913 | 8.60 | 3.73 | 3.08 |
| BBB/Baa | **34** | 12218 | 7.17 | 5.03 | 3.90 |
| BB/Ba | **35** | 1206 | 6.00 | 5.67 | 3.94 |
| B/B | **36** | 144 | 6.04 | 5.26 | 1.79 |
| CCC/Caa | **37** | 6 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 1 | 6.05 | 228.39 | |
| **Total other fixed interest securities** | **39** | 25280 | 7.75 | 4.27 | 3.37 |
| **Approved variable interest securities** | **41** | 2004 | 14.71 | (0.17) | (0.17) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 71527 | 10.94 | 3.46 | 3.12 |

**Form 49**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **14 Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 137451 | 3.55 | 1.23 | 1.23 |
| **Other approved fixed interest securities** | **21** | 22688 | 6.68 | 2.64 | 2.54 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 4462 | 9.37 | 2.29 | 2.11 |
| AA/Aa | **32** | 5914 | 7.46 | 2.43 | 2.11 |
| A/A | **33** | 21225 | 8.55 | 3.71 | 3.11 |
| BBB/Baa | **34** | 30939 | 7.29 | 4.82 | 3.80 |
| BB/Ba | **35** | 3071 | 6.03 | 5.38 | 3.02 |
| B/B | **36** | 379 | 6.04 | 5.26 | 1.79 |
| CCC/Caa | **37** | 8 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 2 | 6.01 | 225.77 | |
| **Total other fixed interest securities** | **39** | 66000 | 7.79 | 4.12 | 3.26 |
| **Approved variable interest securities** | **41** | 21947 | 5.73 | (1.03) | (1.03) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 248085 | 5.16 | 1.93 | 1.69 |

Form 49

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **15 Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 1036425 | 11.31 | 2.74 | 2.74 |
| **Other approved fixed interest securities** | **21** | 488428 | 6.60 | 2.67 | 2.55 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 50091 | 9.17 | 2.30 | 2.12 |
| AA/Aa | **32** | 84534 | 6.30 | 2.19 | 1.89 |
| A/A | **33** | 241986 | 8.01 | 3.55 | 2.97 |
| BBB/Baa | **34** | 357884 | 7.09 | 5.11 | 4.10 |
| BB/Ba | **35** | 36199 | 6.03 | 5.88 | 3.68 |
| B/B | **36** | 3986 | 5.99 | 5.23 | 1.77 |
| CCC/Caa | **37** | 172 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 93 | 4.81 | 40.57 | |
| **Total other fixed interest securities** | **39** | 774945 | 7.37 | 4.17 | 3.35 |
| **Approved variable interest securities** | **41** | 158944 | 8.44 | (0.85) | (0.85) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 2458742 | 8.95 | 2.95 | 2.66 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **16 Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 1362598 | 8.97 | 2.31 | 2.31 |
| **Other approved fixed interest securities** | **21** | 441955 | 6.24 | 2.32 | 2.23 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 53431 | 9.31 | 2.49 | 2.29 |
| AA/Aa | **32** | 71108 | 7.78 | 2.65 | 2.32 |
| A/A | **33** | 276617 | 8.95 | 3.88 | 3.26 |
| BBB/Baa | **34** | 433531 | 7.25 | 4.84 | 3.82 |
| BB/Ba | **35** | 43959 | 5.98 | 5.59 | 3.25 |
| B/B | **36** | 4603 | 6.41 | 5.54 | 2.01 |
| CCC/Caa | **37** | 122 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 2150 | 0.10 | 40.80 | |
| **Total other fixed interest securities** | **39** | 885521 | 7.86 | 4.36 | 3.39 |
| **Approved variable interest securities** | **41** | 99343 | 16.95 | (0.10) | (0.10) |
| **Other variable interest securities** | **51** | 2950 | 12.30 | 2.47 | 2.47 |
| **Total (11+21+39+41+51)** | **61** | 2792366 | 8.47 | 2.88 | 2.56 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **17 Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 620826 | 9.76 | 2.56 | 2.56 |
| **Other approved fixed interest securities** | **21** | 139107 | 6.63 | 1.97 | 1.95 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 10829 | 9.24 | 3.71 | 3.39 |
| AA/Aa | **32** | 20913 | 6.93 | 2.99 | 2.66 |
| A/A | **33** | 109100 | 9.33 | 3.89 | 3.28 |
| BBB/Baa | **34** | 160961 | 7.42 | 4.45 | 3.41 |
| BB/Ba | **35** | 18271 | 6.07 | 4.99 | 2.46 |
| B/B | **36** | 4937 | 3.94 | 5.52 | 1.77 |
| CCC/Caa | **37** | 804 | 1.69 | 9.13 | |
| Other (including unrated) | **38** | 13 | 3.82 | 138.91 | |
| **Total other fixed interest securities** | **39** | 325830 | 7.95 | 4.21 | 3.23 |
| **Approved variable interest securities** | **41** | 132454 | 14.20 | (0.49) | (0.49) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 1218217 | 9.40 | 2.60 | 2.34 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **18 Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 776776 | 6.76 | 1.95 | 1.95 |
| **Other approved fixed interest securities** | **21** | 134235 | 6.48 | 2.73 | 2.58 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 24101 | 9.28 | 2.31 | 2.13 |
| AA/Aa | **32** | 30405 | 7.61 | 2.48 | 2.15 |
| A/A | **33** | 114076 | 8.56 | 3.73 | 3.13 |
| BBB/Baa | **34** | 175166 | 7.16 | 5.00 | 3.98 |
| BB/Ba | **35** | 17591 | 6.04 | 5.68 | 3.42 |
| B/B | **36** | 1988 | 6.05 | 5.27 | 1.80 |
| CCC/Caa | **37** | 72 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 8 | 6.00 | 225.31 | |
| **Total other fixed interest securities** | **39** | 363407 | 7.72 | 4.26 | 3.40 |
| **Approved variable interest securities** | **41** | 97436 | 9.06 | (0.63) | (0.63) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 1371853 | 7.15 | 2.46 | 2.21 |

**Form 49**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **19 SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets | Mean term | Yield before adjustment | Yield after adjustment |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 |
| **UK Government approved fixed interest securities** | **11** | 773256 | 6.52 | 2.17 | 2.17 |
| **Other approved fixed interest securities** | **21** | 186690 | 6.12 | 1.99 | 1.87 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 26680 | 7.64 | 1.89 | 1.72 |
| AA/Aa | **32** | 25281 | 7.17 | 2.32 | 1.99 |
| A/A | **33** | 104727 | 7.88 | 3.45 | 2.86 |
| BBB/Baa | **34** | 155620 | 6.77 | 4.92 | 3.92 |
| BB/Ba | **35** | 14749 | 5.89 | 5.87 | 3.70 |
| B/B | **36** | 1558 | 5.97 | 5.21 | 1.76 |
| CCC/Caa | **37** | 82 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 6 | 5.79 | 216.74 | |
| **Total other fixed interest securities** | **39** | 328704 | 7.18 | 4.06 | 3.24 |
| **Approved variable interest securities** | **41** | 12533 | 13.73 | (0.20) | (0.20) |
| **Other variable interest securities** | **51** | | | | |
| **Total (11+21+39+41+51)** | **61** | 1301183 | 6.70 | 2.60 | 2.38 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Category of assets | **20 SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean term<br>2 | Yield before adjustment<br>3 | Yield after adjustment<br>4 |
|---|---|---|---|---|---|
| **UK Government approved fixed interest securities** | **11** | 1809350 | 10.24 | 2.52 | 2.52 |
| **Other approved fixed interest securities** | **21** | 359821 | 6.77 | 2.60 | 2.52 |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | **31** | 40889 | 9.25 | 3.71 | 3.38 |
| AA/Aa | **32** | 84578 | 6.92 | 2.98 | 2.65 |
| A/A | **33** | 474780 | 8.19 | 3.67 | 3.10 |
| BBB/Baa | **34** | 666783 | 7.32 | 4.58 | 3.56 |
| BB/Ba | **35** | 63740 | 6.39 | 5.40 | 2.95 |
| B/B | **36** | 4529 | 8.40 | 7.06 | 3.15 |
| CCC/Caa | **37** | 84 | 1.61 | 36.42 | |
| Other (including unrated) | **38** | 11239 | 34.85 | 2.63 | 0.95 |
| **Total other fixed interest securities** | **39** | 1346623 | 7.85 | 4.17 | 3.28 |
| **Approved variable interest securities** | **41** | 135066 | 14.40 | (0.34) | (0.34) |
| **Other variable interest securities** | **51** | 6977 | 12.45 | 2.40 | 2.40 |
| **Total (11+21+39+41+51)** | **61** | 3657837 | 9.17 | 3.03 | 2.69 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Summary** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 1878647 | 4774268 | 478374 | 7131289 | 8469883 |
| Form 51 - non-profit | **12** | 999939 | 9054542 | 494139 | 10548621 | 14482980 |
| Form 52 | **13** | 673638 | 4341089 | 84407 | 5099134 | 5385957 |
| Form 53 - linked | **14** | 2333735 | 8307327 | 49244 | 10690306 | 10150180 |
| Form 53 - non-linked | **15** | 69265 | 147716 | 2750 | 219732 | 254754 |
| Form 54 - linked | **16** | 184729 | 673617 | 1712 | 860057 | 929850 |
| Form 54 - non-linked | **17** | 70014 | 8316 | | 78331 | 87077 |
| **Total** | **18** | 6209968 | 27306875 | 1110626 | 34627469 | 39760681 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | **21** | 5111 | | 115 | 5225 | 6265 |
| Form 51 - non-profit | **22** | 329893 | 2417251 | 12214 | 2759359 | 6380471 |
| Form 52 | **23** | 1 | | | 1 | 1 |
| Form 53 - linked | **24** | 10769 | | | 10769 | 9994 |
| Form 53 - non-linked | **25** | 67 | 0 | | 67 | 35 |
| Form 54 - linked | **26** | 41467 | 23504 | | 64970 | 145603 |
| Form 54 - non-linked | **27** | 2417 | 178 | | 2596 | 3226 |
| **Total** | **28** | 389725 | 2440933 | 12329 | 2842987 | 6545596 |
| **Reinsurance - intra-group** | | | | | | |
| Form 51 - with-profits | **31** | | | | | |
| Form 51 - non-profit | **32** | | | | | |
| Form 52 | **33** | 71764 | 57594 | | 129358 | 151562 |
| Form 53 - linked | **34** | | | | | |
| Form 53 - non-linked | **35** | 1 | 41567 | | 41568 | 45713 |
| Form 54 - linked | **36** | | | | | |
| Form 54 - non-linked | **37** | | | | | |
| **Total** | **38** | 71765 | 99161 | | 170926 | 197276 |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | **41** | 1873537 | 4774268 | 478259 | 7126063 | 8463618 |
| Form 51 - non-profit | **42** | 670046 | 6637291 | 481925 | 7789262 | 8102510 |
| Form 52 | **43** | 601872 | 4283495 | 84407 | 4969775 | 5234394 |
| Form 53 - linked | **44** | 2322966 | 8307327 | 49244 | 10679537 | 10140186 |
| Form 53 - non-linked | **45** | 69198 | 106149 | 2750 | 178097 | 209005 |
| Form 54 - linked | **46** | 143262 | 650113 | 1712 | 795087 | 784246 |
| Form 54 - non-linked | **47** | 67597 | 8138 | | 75735 | 83851 |
| **Total** | **48** | 5748477 | 24766781 | 1098298 | 31613556 | 33017810 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 150040 | | | 150040 | 187286 |
| Form 51 - non-profit | **12** | 36051 | | | 36051 | 37311 |
| Form 52 | **13** | | | | | |
| Form 53 - linked | **14** | | | | | |
| Form 53 - non-linked | **15** | | | | | |
| Form 54 - linked | **16** | | | | | |
| Form 54 - non-linked | **17** | | | | | |
| **Total** | **18** | 186092 | | | 186092 | 224597 |
| **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** | 150040 | | | 150040 | 187286 |
| Form 51 - non-profit | **42** | 36051 | | | 36051 | 37311 |
| Form 52 | **43** | | | | | |
| Form 53 - linked | **44** | | | | | |
| Form 53 - non-linked | **45** | | | | | |
| Form 54 - linked | **46** | | | | | |
| Form 54 - non-linked | **47** | | | | | |
| **Total** | **48** | 186092 | | | 186092 | 224597 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 179404 | 87300 | | 266704 | 356026 |
| Form 51 - non-profit | **12** | 17465 | 124873 | | 142339 | 182508 |
| Form 52 | **13** | 110886 | 2349844 | 19251 | 2479980 | 2590075 |
| Form 53 - linked | **14** | | | | | |
| Form 53 - non-linked | **15** | | 3817 | | 3817 | 4433 |
| Form 54 - linked | **16** | | | | | |
| Form 54 - non-linked | **17** | | | | | |
| **Total** | **18** | 307755 | 2565833 | 19251 | 2892839 | 3133043 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | **21** | 1025 | | | 1025 | 1026 |
| Form 51 - non-profit | **22** | 191 | | | 191 | 191 |
| Form 52 | **23** | 1 | | | 1 | 1 |
| Form 53 - linked | **24** | | | | | |
| Form 53 - non-linked | **25** | | | | | |
| Form 54 - linked | **26** | | | | | |
| Form 54 - non-linked | **27** | | | | | |
| **Total** | **28** | 1217 | | | 1217 | 1218 |
| **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** | 178379 | 87300 | | 265679 | 355001 |
| Form 51 - non-profit | **42** | 17275 | 124873 | | 142148 | 182317 |
| Form 52 | **43** | 110884 | 2349844 | 19251 | 2479979 | 2590074 |
| Form 53 - linked | **44** | | | | | |
| Form 53 - non-linked | **45** | | 3817 | | 3817 | 4433 |
| Form 54 - linked | **46** | | | | | |
| Form 54 - non-linked | **47** | | | | | |
| **Total** | **48** | 306538 | 2565833 | 19251 | 2891622 | 3131825 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | 11 | 19618 | 1313 | 423 | 21354 | 37020 |
| Form 51 - non-profit | 12 | 5976 | | 226 | 6201 | 10136 |
| Form 52 | 13 | | 37704 | | 37704 | 39024 |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | | | | | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | 25593 | 39017 | 649 | 65259 | 86180 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | 6 | | | 6 | 7 |
| 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 | 6 | | | 6 | 7 |
| **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 | 19611 | 1313 | 423 | 21348 | 37013 |
| Form 51 - non-profit | 42 | 5976 | | 226 | 6201 | 10136 |
| Form 52 | 43 | | 37704 | | 37704 | 39024 |
| Form 53 - linked | 44 | | | | | |
| Form 53 - non-linked | 45 | | | | | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | 25587 | 39017 | 649 | 65253 | 86173 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 19581 | | | 19581 | 27130 |
| 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** | 19581 | | | 19581 | 27130 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | **21** | | | | | 162 |
| 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** | | | | | 162 |
| **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** | 19581 | | | 19581 | 26968 |
| 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** | 19581 | | | 19581 | 26968 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 97949 | 456970 | 10820 | 565739 | 753236 |
| Form 51 - non-profit | **12** | 32439 | 1785746 | 34708 | 1852893 | 2139032 |
| Form 52 | **13** | 5071 | 177073 | 4861 | 187006 | 193888 |
| Form 53 - linked | **14** | 3700 | 2010 | | 5710 | 11997 |
| Form 53 - non-linked | **15** | | | | | |
| Form 54 - linked | **16** | | | | | |
| Form 54 - non-linked | **17** | | | | | |
| **Total** | **18** | 139160 | 2421799 | 50389 | 2611347 | 3098153 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | **21** | 8 | | | 8 | 8 |
| Form 51 - non-profit | **22** | 5231 | 1298649 | 52 | 1303932 | 1529145 |
| Form 52 | **23** | | | | | |
| Form 53 - linked | **24** | | | | | |
| Form 53 - non-linked | **25** | | | | | |
| Form 54 - linked | **26** | | | | | |
| Form 54 - non-linked | **27** | | | | | |
| **Total** | **28** | 5240 | 1298649 | 52 | 1303940 | 1529154 |
| **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** | 97941 | 456970 | 10820 | 565731 | 753227 |
| Form 51 - non-profit | **42** | 27208 | 487097 | 34656 | 548961 | 609887 |
| Form 52 | **43** | 5071 | 177073 | 4861 | 187006 | 193888 |
| Form 53 - linked | **44** | 3700 | 2010 | | 5710 | 11997 |
| Form 53 - non-linked | **45** | | | | | |
| Form 54 - linked | **46** | | | | | |
| Form 54 - non-linked | **47** | | | | | |
| **Total** | **48** | 133920 | 1123150 | 50337 | 1307407 | 1568999 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | 11 | 493248 | 469492 | 58535 | 1021274 | 1346351 |
| Form 51 - non-profit | 12 | 207038 | 1068306 | 66682 | 1342026 | 1504864 |
| Form 52 | 13 | 207344 | 697835 | 8984 | 914163 | 914200 |
| Form 53 - linked | 14 | 4222 | | | 4222 | 3771 |
| Form 53 - non-linked | 15 | 124 | 10 | | 134 | 134 |
| Form 54 - linked | 16 | | 212849 | 234 | 213083 | 236292 |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | 911976 | 2448492 | 134435 | 3494903 | 4005612 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | 429 | | | 429 | 912 |
| Form 51 - non-profit | 22 | 132196 | 4 | 36 | 132236 | 139192 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | 132624 | 4 | 36 | 132664 | 140104 |
| **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 | 492819 | 469492 | 58535 | 1020846 | 1345438 |
| Form 51 - non-profit | 42 | 74843 | 1068302 | 66646 | 1209791 | 1365673 |
| Form 52 | 43 | 207344 | 697835 | 8984 | 914163 | 914200 |
| Form 53 - linked | 44 | 4222 | | | 4222 | 3771 |
| Form 53 - non-linked | 45 | 124 | 10 | | 134 | 134 |
| Form 54 - linked | 46 | | 212849 | 234 | 213083 | 236292 |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | 779351 | 2448488 | 134399 | 3362238 | 3865508 |

Form 50

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 60001 | 1321911 | | 1381912 | 1494400 |
| Form 51 - non-profit | **12** | | | | | |
| Form 52 | **13** | 178753 | 542341 | 7457 | 728552 | 823221 |
| Form 53 - linked | **14** | | | | | |
| Form 53 - non-linked | **15** | | | | | |
| Form 54 - linked | **16** | | | | | |
| Form 54 - non-linked | **17** | | | | | |
| **Total** | **18** | 238755 | 1864251 | 7457 | 2110464 | 2317621 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | **21** | 600 | | | 600 | 902 |
| 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** | 600 | | | 600 | 902 |
| **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** | 59402 | 1321911 | | 1381312 | 1493497 |
| Form 51 - non-profit | **42** | | | | | |
| Form 52 | **43** | 178753 | 542341 | 7457 | 728552 | 823221 |
| Form 53 - linked | **44** | | | | | |
| Form 53 - non-linked | **45** | | | | | |
| Form 54 - linked | **46** | | | | | |
| Form 54 - non-linked | **47** | | | | | |
| **Total** | **48** | 238155 | 1864251 | 7457 | 2109864 | 2316718 |

Form 50

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | 499881 | 214998 | 402416 | 1117295 | 1304439 |
| Form 51 - non-profit | **12** | 7757 | 10359 | 1331 | 19447 | 23575 |
| Form 52 | **13** | 77674 | 463146 | 42851 | 583671 | 623486 |
| Form 53 - linked | **14** | | | | | |
| Form 53 - non-linked | **15** | | | | | |
| Form 54 - linked | **16** | | | | | |
| Form 54 - non-linked | **17** | | | | | |
| **Total** | **18** | 585312 | 688503 | 446598 | 1720413 | 1951500 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | **21** | 2271 | | 115 | 2386 | 2450 |
| Form 51 - non-profit | **22** | 213 | | 19 | 232 | 236 |
| Form 52 | **23** | | | | | |
| Form 53 - linked | **24** | | | | | |
| Form 53 - non-linked | **25** | | | | | |
| Form 54 - linked | **26** | | | | | |
| Form 54 - non-linked | **27** | | | | | |
| **Total** | **28** | 2484 | | 133 | 2618 | 2687 |
| **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** | 497609 | 214998 | 402302 | 1114909 | 1301988 |
| Form 51 - non-profit | **42** | 7544 | 10359 | 1312 | 19216 | 23339 |
| Form 52 | **43** | 77674 | 463146 | 42851 | 583671 | 623486 |
| Form 53 - linked | **44** | | | | | |
| Form 53 - non-linked | **45** | | | | | |
| Form 54 - linked | **46** | | | | | |
| Form 54 - non-linked | **47** | | | | | |
| **Total** | **48** | 582828 | 688503 | 446465 | 1717796 | 1948814 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | 11 | 358925 | 2222286 | 6179 | 2587390 | 2963995 |
| Form 51 - non-profit | 12 | 83666 | 1481287 | 32506 | 1597459 | 1744362 |
| Form 52 | 13 | 21858 | 10618 | | 32476 | 37734 |
| Form 53 - linked | 14 | 1816 | | | 1816 | 1629 |
| Form 53 - non-linked | 15 | 170 | | | 170 | 557 |
| Form 54 - linked | 16 | 28704 | 28059 | 1478 | 58241 | 63376 |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | 495139 | 3742250 | 40163 | 4277552 | 4811654 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | 772 | | | 772 | 797 |
| Form 51 - non-profit | 22 | 4885 | 699 | 8178 | 13762 | 15234 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | 5657 | 699 | 8178 | 14534 | 16031 |
| **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 | 358153 | 2222286 | 6179 | 2586618 | 2963198 |
| Form 51 - non-profit | 42 | 78781 | 1480588 | 24327 | 1583696 | 1729128 |
| Form 52 | 43 | 21858 | 10618 | | 32476 | 37734 |
| Form 53 - linked | 44 | 1816 | | | 1816 | 1629 |
| Form 53 - non-linked | 45 | 170 | | | 170 | 557 |
| Form 54 - linked | 46 | 28704 | 28059 | 1478 | 58241 | 63376 |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | 489482 | 3741551 | 31984 | 4263018 | 4795623 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | 11 | | | | | |
| Form 51 - non-profit | 12 | 609547 | 4583971 | 358687 | 5552205 | 8841192 |
| Form 52 | 13 | 287 | 4935 | 1003 | 6225 | 12767 |
| Form 53 - linked | 14 | 2323997 | 8305317 | 49244 | 10678558 | 10132783 |
| Form 53 - non-linked | 15 | 68972 | 143889 | 2750 | 215611 | 249630 |
| Form 54 - linked | 16 | 156025 | 432708 | | 588733 | 630181 |
| Form 54 - non-linked | 17 | 70014 | 8316 | | 78331 | 87077 |
| **Total** | 18 | 3228841 | 13479136 | 411684 | 17119662 | 19953630 |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | | | | | |
| Form 51 - non-profit | 22 | 187178 | 1117900 | 3929 | 1309006 | 4696472 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | 10769 | | | 10769 | 9994 |
| Form 53 - non-linked | 25 | 67 | 0 | | 67 | 35 |
| Form 54 - linked | 26 | 41467 | 23504 | | 64970 | 145603 |
| Form 54 - non-linked | 27 | 2417 | 178 | | 2596 | 3226 |
| **Total** | 28 | 241898 | 1141582 | 3929 | 1387408 | 4855331 |
| **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 | 1 | 41567 | | 41568 | 45713 |
| Form 54 - linked | 36 | | | | | |
| Form 54 - non-linked | 37 | | | | | |
| **Total** | 38 | 1 | 41567 | | 41568 | 45713 |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | 41 | | | | | |
| Form 51 - non-profit | 42 | 422369 | 3466071 | 354759 | 4243198 | 4144719 |
| Form 52 | 43 | 287 | 4935 | 1003 | 6225 | 12767 |
| Form 53 - linked | 44 | 2313227 | 8305317 | 49244 | 10667788 | 10122789 |
| Form 53 - non-linked | 45 | 68904 | 102322 | 2750 | 173976 | 203881 |
| Form 54 - linked | 46 | 114558 | 409205 | | 523763 | 484578 |
| Form 54 - non-linked | 47 | 67597 | 8138 | | 75735 | 83851 |
| **Total** | 48 | 2986942 | 12295988 | 407756 | 15690685 | 15052585 |

**Form 50**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | UK Life<br>1 | UK Pension<br>2 | Overseas<br>3 | Total Financial year<br>4 | Total Previous year<br>5 |
|---|---|---|---|---|---|---|
| **Gross** | | | | | | |
| Form 51 - with-profits | **11** | | | | | |
| Form 51 - non-profit | **12** | | | | | |
| Form 52 | **13** | 71764 | 57594 | | 129358 | 151562 |
| Form 53 - linked | **14** | | | | | |
| Form 53 - non-linked | **15** | | | | | |
| Form 54 - linked | **16** | | | | | |
| Form 54 - non-linked | **17** | | | | | |
| **Total** | **18** | 71764 | 57594 | | 129358 | 151562 |
| **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** | 71764 | 57594 | | 129358 | 151562 |
| Form 53 - linked | **34** | | | | | |
| Form 53 - non-linked | **35** | | | | | |
| Form 54 - linked | **36** | | | | | |
| Form 54 - non-linked | **37** | | | | | |
| **Total** | **38** | 71764 | 57594 | | 129358 | 151562 |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | **41** | | | | | |
| 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** | | | | | |

**Form 51**

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Britannic Industrial Branch Fund**
Financial year ended **31 December 2013**
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 |
| 105 | Conventional whole life with-profits IB | 126273 | 105162 | 2732 | | | | 85799 |
| 130 | Conventional endowment with-profits IB | 19576 | 56624 | 3682 | | | | 55001 |
| 215 | Additional reserves with-profits IB | | | | | | | 9241 |
| 310 | Non-profit IB | 288731 | 19394 | | | | | 36051 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 5724 | 24270 | 782 | | | | 13929 |
| 120 | Conventional endowment with-profits OB savings | 11811 | 80600 | 4418 | | | | 64106 |
| 125 | Conventional endowment with-profits OB target cash | 6096 | 159497 | 3580 | | | | 83306 |
| 165 | Conventional deferred annuity with-profits p.a. | 610 | 1477 | 173 | | | | 15474 |
| 175 | Group conventional deferred annuity with-profits | 29 | 154 | | | | | 287 |
| 205 | Miscellaneous conventional with-profits | 38 | 430 | 5 | | | | 302 |
| 210 | Additional reserves with-profits OB | | | 1 | | | | 2000 |
| 300 | Regular premium non-profit WL/EA OB | 5410 | 10824 | | | | | 10199 |
| 305 | Single premium non-profit WL/EA OB | 213 | 3 | | | | | 13 |
| 390 | Deferred annuity non-profit p.a. | 755 | 605 | | | | | 7253 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 595 | 7 | | | | 392 |
| 120 | Conventional endowment with-profits OB savings | | 792 | 8 | | | | 630 |
| 125 | Conventional endowment with-profits OB target cash | | 1888 | 19 | | | | 2 |
| 210 | Additional reserves with-profits OB | | | 1 | | | | 1 |
| 435 | Miscellaneous non-profit | | 9543 | | | | | 191 |

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 165 | Conventional deferred annuity with-profits | 2866 | 3010 | 489 | | | | 74629 |
| 165 | Conventional deferred annuity with-profits p.a. | 1 | 6536 | | | | | |
| 175 | Group conventional deferred annuity with-profits p.a. | | 8 | 2 | | | | 80 |
| 200 | Annuity with-profits (CPA) p.a. | 590 | 966 | | | | | 11508 |
| 205 | Miscellaneous conventional with-profits | 2 | | | | | | 23 |
| 210 | Additional reserves with-profits OB | | | | | | | 1060 |
| 390 | Deferred annuity non-profit p.a. | 12344 | 7757 | 0 | | | | 107959 |
| 390 | Deferred annuity non-profit p.a. | 12 | 5 | | | | | 76 |
| 435 | Miscellaneous non-profit p.a. | 10116 | | | | | | 16838 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 817 | 3883 | 69 | | | | 2808 |
| 105 | Conventional whole life with-profits IB | 51779 | 6073 | 41 | | | | 5305 |
| 120 | Conventional endowment with-profits OB savings | 175 | 2988 | 31 | | | | 2637 |
| 125 | Conventional endowment with-profits OB target cash | 460 | 13077 | 271 | | | | 8126 |
| 130 | Conventional endowment with-profits IB | 271 | 157 | 3 | | | | 124 |
| 145 | Income protection with-profits | 84 | 20 | | | | | 20 |
| 210 | Additional reserves with-profits OB p.a. | | | 3 | | | | 597 |
| 300 | Regular premium non-profit WL/EA OB | 268 | 672 | | | | | 686 |
| 310 | Non-profit IB | 322322 | 8651 | 52 | | | | 5261 |
| 440 | Additional reserves non-profit OB | | | | | | | 29 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 7 | | | | | 6 |
| 120 | Conventional endowment with-profits OB savings | | | | | | | 0 |

Form 51

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **90% With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Pension / Gross



| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 165 | Conventional deferred annuity with-profits | 90 | 113 | | | | | 1313 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 105 | Conventional whole life with-profits IB | 1032 | 426 | 2 | | | | 397 |
| 130 | Conventional endowment with-profits IB | 52 | 44 | 1 | | | | 27 |
| 310 | Non-profit IB | 1702 | 319 | 1 | | | | 226 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 363 | 11415 | 50 | | | | 7972 |
| 120 | Conventional endowment with-profits OB savings | 563 | 11994 | 167 | | | | 10540 |
| 175 | Group conventional deferred annuity with-profits | 3 | 7 | | | | | 110 |
| 210 | Additional reserves with-profits OB | | | | | | | 960 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 2586 | 48 | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 1072 | 10838 | 125 | | | | 8547 |
| 120 | Conventional endowment with-profits OB savings | 3580 | 36701 | 547 | | | | 30358 |
| 125 | Conventional endowment with-profits OB target cash | 4800 | 131784 | 2324 | | | | 56186 |
| 165 | Conventional deferred annuity with-profits p.a. | 106 | 76 | | | | | 1645 |
| 210 | Additional reserves with-profits OB | | | | | | | 1213 |
| 300 | Regular premium non-profit WL/EA OB | 11959 | 22299 | 178 | | | | 13247 |
| 325 | Level term assurance | 1315 | 48415 | 182 | | | | 386 |
| 330 | Decreasing term assurance | 1121 | 17970 | 186 | | | | 116 |
| 360 | Income protection non-profit (guaranteed premiums) | 4 | 16 | 0 | | | | 86 |
| 385 | Income protection claims in payment | | | | | | | 215 |
| 390 | Deferred annuity non-profit p.a. | 729 | 138 | | | | | 3077 |
| 395 | Annuity non-profit (PLA) | 2075 | 1162 | | | | | 12840 |
| 410 | Group Life | 6339 | 32876 | 203 | | | | 105 |
| 435 | Miscellaneous non-profit | 698 | 7105 | 19 | | | | 2892 |
| 440 | Additional reserves non-profit OB | | | | | | | (524) |

**Form 51**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 120 | Conventional endowment with-profits OB savings | | 1347 | 8 | | | | 8 |
| 300 | Regular premium non-profit WL/EA OB | | 18 | 0 | | | | 9 |
| 360 | Income protection non-profit (guaranteed premiums) | | 16 | 0 | | | | 4 |
| 385 | Income protection claims in payment | | | | | | | 52 |
| 395 | Annuity non-profit (PLA) | | 670 | | | | | 4978 |
| 435 | Miscellaneous non-profit | | 28949 | 177 | | | | 188 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 165 | Conventional deferred annuity with-profits p.a. | 2747 | 5807 | 200 | | | | 75466 |
| 165 | Conventional deferred annuity with-profits | 13652 | 234854 | 581 | | | | 290895 |
| 175 | Group conventional deferred annuity with-profits p.a. | 3824 | 3129 | 461 | | | | 54796 |
| 175 | Group conventional deferred annuity with-profits | 260 | 1886 | 8 | | | | 6212 |
| 210 | Additional reserves with-profits OB | | | | | | | 29601 |
| 325 | Level term assurance | 657 | 22148 | 64 | | | | 445 |
| 390 | Deferred annuity non-profit p.a. | 15208 | 64714 | 48 | | | | 671832 |
| 390 | Deferred annuity non-profit | 623 | 18892 | | | | | 7574 |
| 400 | Annuity non-profit (CPA) | 38104 | 96836 | 348 | | | | 1103979 |
| 410 | Group Life | 2 | 1127 | 5 | | | | 2 |
| 435 | Miscellaneous non-profit | 89 | 6884 | 4 | | | | 151 |
| 440 | Additional reserves non-profit OB | | | | | | | 1762 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 390 | Deferred annuity non-profit p.a. | | 34064 | | | | | 584192 |
| 390 | Deferred annuity non-profit | | 11492 | | | | | 336 |
| 400 | Annuity non-profit (CPA) | | 44130 | | | | | 714088 |
| 435 | Miscellaneous non-profit | | 5732 | 17 | | | | 33 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Alba With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
Overseas / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 48 | 215 | 2 | | | | 199 |
| 120 | Conventional endowment with-profits OB savings | 75 | 555 | 8 | | | | 492 |
| 165 | Conventional deferred annuity with-profits | 270 | 492 | 2 | | | | 5562 |
| 175 | Group conventional deferred annuity with-profits | 887 | 239 | 7 | | | | 4567 |
| 300 | Regular premium non-profit WL/EA OB | 438 | 2242 | 22 | | | | 1691 |
| 325 | Level term assurance | 13 | 240 | 1 | | | | 4 |
| 360 | Income protection non-profit (guaranteed premiums) | 229 | 2889 | 49 | | | | 1367 |
| 385 | Income protection claims in payment | | | | | | | 552 |
| 390 | Deferred annuity non-profit | 84 | 88 | | | | | 1024 |
| 395 | Annuity non-profit (PLA) | 2 | 0 | | | | | 3 |
| 400 | Annuity non-profit (CPA) | 655 | 2583 | 53 | | | | 30043 |
| 435 | Miscellaneous non-profit | 107 | 3162 | 14 | | | | 24 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 385 | Income protection claims in payment | | | | | | | 52 |

**Form 51**
**(Sheet 1)**

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Phoenix With-Profits Fund**
Financial year ended **31 December 2013**
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 | 4544 | 75550 | 541 | | | | 61402 |
| 120 | Conventional endowment with-profits OB savings | 3441 | 25816 | 368 | | | | 22256 |
| 125 | Conventional endowment with-profits OB target cash | 34339 | 509315 | 21013 | | | | 402356 |
| 175 | Group conventional deferred annuity with-profits | 87 | 573 | 135 | | | | 5898 |
| 210 | Additional reserves with-profits OB | | | | | | | 1336 |
| 300 | Regular premium non-profit WL/EA OB | 5945 | 32246 | 38 | | | | 31515 |
| 305 | Single premium non-profit WL/EA OB | 420 | 3902 | | | | | 3908 |
| 325 | Level term assurance | 30517 | 2712784 | 12576 | | | | 141047 |
| 330 | Decreasing term assurance | 4385 | 697233 | 2366 | | | | 8231 |
| 345 | Accelerated critical illness (reviewable premiums) | | 47041 | 167 | | | | 176 |
| 350 | Stand-alone critical illness (guaranteed premiums) | 588 | 36041 | 171 | | | | 663 |
| 355 | Stand-alone critical illness (reviewable premiums) | | 18311 | 69 | | | | 72 |
| 390 | Deferred annuity non-profit | 131 | 5 | | | | | 170 |
| 395 | Annuity non-profit (PLA) | 1371 | 1699 | | | | | 16425 |
| 410 | Group Life | | | | | | | 1956 |

**Form 51**
**(Sheet 2)**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| 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 |
| 425 | Group income protection claims in payment | 11 | 120 | | | | | 1159 |
| 435 | Miscellaneous non-profit | 198 | 202845 | 1391 | | | | 1716 |

Form 51

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Phoenix With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 440 | 0 | | | | 429 |
| 205 | Miscellaneous conventional with-profits | | 27 | | | | | 0 |
| 300 | Regular premium non-profit WL/EA OB | | 90 | 1 | | | | 88 |
| 325 | Level term assurance | | 2477672 | 12239 | | | | 129111 |
| 330 | Decreasing term assurance | | 689037 | 2327 | | | | 7574 |
| 350 | Stand-alone critical illness (guaranteed premiums) | | 250 | | | | | 0 |
| 425 | Group income protection claims in payment | | 26 | | | | | 382 |
| 435 | Miscellaneous non-profit | | 11434 | 26 | | | | 40 |
| 440 | Additional reserves non-profit OB | | | | | | | (5000) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |



| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 165 | Conventional deferred annuity with-profits | 20168 | 39512 | | | | | 348044 |
| 175 | Group conventional deferred annuity with-profits | 1838 | 6850 | 191 | | | | 104795 |
| 185 | Group conventional pensions endowment with-profits | 895 | 5878 | 4 | | | | 9407 |
| 205 | Miscellaneous conventional with-profits | 827 | 13171 | 21 | | | | 614 |
| 210 | Additional reserves with-profits OB | | | | | | | 6632 |
| 325 | Level term assurance | 1597 | 34393 | 121 | | | | 849 |
| 390 | Deferred annuity non-profit | 7256 | 21009 | 0 | | | | 329910 |
| 400 | Annuity non-profit (CPA) | 22373 | 52090 | | | | | 684391 |
| 435 | Miscellaneous non-profit | 1659 | 36453 | | | | | 53155 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 325 | Level term assurance | | 8 | 0 | | | | 0 |
| 435 | Miscellaneous non-profit | | 363 | 4 | | | | 4 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |



| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 314 | 3539 | 34 | | | | 2747 |
| 120 | Conventional endowment with-profits OB savings | 99 | 1028 | 14 | | | | 903 |
| 125 | Conventional endowment with-profits OB target cash | 278 | 4379 | 118 | | | | 3726 |
| 165 | Conventional deferred annuity with-profits | 1036 | 3784 | 194 | | | | 43341 |
| 175 | Group conventional deferred annuity with-profits | 271 | 471 | 26 | | | | 7775 |
| 205 | Miscellaneous conventional with-profits | 63 | 750 | 1 | | | | 43 |
| 300 | Regular premium non-profit WL/EA OB | 277 | 1612 | 2 | | | | 1587 |
| 325 | Level term assurance | 198 | 5949 | 23 | | | | 308 |
| 330 | Decreasing term assurance | 23 | 4116 | 15 | | | | 278 |
| 390 | Deferred annuity non-profit | 95 | 40 | 0 | | | | 714 |
| 400 | Annuity non-profit (CPA) | 1311 | 4819 | | | | | 51618 |
| 435 | Miscellaneous non-profit | 454 | 7167 | 5 | | | | 12177 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 300 | Regular premium non-profit WL/EA OB | | 35 | 0 | | | | 35 |
| 325 | Level term assurance | | 69 | 0 | | | | 1 |
| 435 | Miscellaneous non-profit | | 29 | 0 | | | | 0 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 875 | 15322 | 148 | | | | 11296 |
| 120 | Conventional endowment with-profits OB savings | 3788 | 85309 | 1473 | | | | 44563 |
| 125 | Conventional endowment with-profits OB target cash | 1 | 28 | | | | | 28 |
| 205 | Miscellaneous conventional with-profits | 9 | 48 | | | | | 1392 |
| 210 | Additional reserves with-profits OB | | | | | | | 2723 |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 779 | 2 | | | | 548 |
| 120 | Conventional endowment with-profits OB savings | | 83 | 2 | | | | 51 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 165 | Conventional deferred annuity with-profits p.a. | 16128 | 25260 | 2097 | | | | 597383 |
| 175 | Group conventional deferred annuity with-profits p.a. | 4029 | 27241 | 2521 | | | | 550393 |
| 185 | Group conventional pensions endowment with-profits | 180 | 8214 | 18 | | | | 8045 |
| 200 | Annuity with-profits (CPA) | 2225 | 9327 | | | | | 137912 |
| 205 | Miscellaneous conventional with-profits | 91 | 1099 | | | | | 5468 |
| 210 | Additional reserves with-profits OB | | | | | | | 22709 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **SPI With-Profits Fund**

Financial year ended **31 December 2013**

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 | 2180 | 39779 | 311 | | | | 27953 |
| 120 | Conventional endowment with-profits OB savings | 35414 | 976745 | 20412 | | | | 455304 |
| 205 | Miscellaneous conventional with-profits | 73 | 352 | 0 | | | | 330 |
| 210 | Additional reserves with-profits OB | | | | | | | 16294 |
| 300 | Regular premium non-profit WL/EA OB | 391 | 7536 | 78 | | | | 6382 |
| 435 | Miscellaneous non-profit | 514 | 16981 | 108 | | | | 1375 |
| 435 | Miscellaneous non-profit p.a. | 147 | 2826 | 124 | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 1529 | 19 | | | | 999 |
| 120 | Conventional endowment with-profits OB savings | | 915 | 14 | | | | 521 |
| 210 | Additional reserves with-profits OB | | | | | | | 751 |
| 300 | Regular premium non-profit WL/EA OB | | 141 | 1 | | | | 136 |
| 435 | Miscellaneous non-profit | | 767 | 22 | | | | 76 |
| 435 | Miscellaneous non-profit p.a. | | 520 | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 165 | Conventional deferred annuity with-profits | 8114 | 50662 | 515 | | | | 198787 |
| 210 | Additional reserves with-profits OB | | | | | | | 16211 |
| 390 | Deferred annuity non-profit | 138 | 69 | | | | | 7886 |
| 390 | Deferred annuity non-profit p.a. | | 584 | | | | | 2327 |
| 435 | Miscellaneous non-profit | | (3084) | 21 | | | | (16) |
| 435 | Miscellaneous non-profit p.a. | | 240 | | | | | 21 |
| 440 | Additional reserves non-profit OB | | | | | | | 142 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 655 | 25740 | 699 | | | | 11755 |
| 120 | Conventional endowment with-profits OB savings | 3318 | 46470 | 1577 | | | | 35147 |
| 165 | Conventional deferred annuity with-profits | 13583 | 106755 | 2875 | | | | 343969 |
| 205 | Miscellaneous conventional with-profits | 92 | 89 | 0 | | | | 67 |
| 210 | Additional reserves with-profits OB | | | | | | | 11478 |
| 390 | Deferred annuity non-profit p.a. | | 62 | | | | | 1014 |
| 435 | Miscellaneous non-profit | 284 | 23267 | 182 | | | | 317 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 267 | 1 | | | | 115 |
| 435 | Miscellaneous non-profit | | 4998 | 6 | | | | 19 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**
**(Sheet 1)**

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **SAL With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

| Product code number 1 | Product description 2 | Number of policyholders / scheme members 3 | Amount of benefit 4 | Amount of annual office premiums 5 | Nominal value of units 6 | Discounted value of units 7 | Other liabilities 8 | Amount of mathematical reserves 9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 3139 | 36699 | 427 | | | | 24053 |
| 120 | Conventional endowment with-profits OB savings | 1460 | 14324 | 318 | | | | 11382 |
| 125 | Conventional endowment with-profits OB target cash | 23363 | 707812 | 12093 | | | | 320374 |
| 210 | Additional reserves with-profits OB | | | 0 | | | | 3116 |
| 300 | Regular premium non-profit WL/EA OB | 25972 | 59225 | 2120 | | | | 45007 |
| 305 | Single premium non-profit WL/EA OB | 69 | 666 | 0 | | | | 667 |
| 325 | Level term assurance | 31964 | 320866 | 1136 | | | | 1418 |
| 330 | Decreasing term assurance | 2897 | 3782 | 21 | | | | 127 |
| 345 | Accelerated critical illness (reviewable premiums) | | 27777 | 136 | | | | 203 |
| 355 | Stand-alone critical illness (reviewable premiums) | 5424 | 16368 | 74 | | | | 111 |
| 360 | Income protection non-profit (guaranteed premiums) | 13532 | 6991 | 184 | | | | 471 |
| 365 | Income protection non-profit (reviewable premiums) | 6 | 17974 | 0 | | | | 659 |
| 385 | Income protection claims in payment | | 128 | | | | | 897 |
| 390 | Deferred annuity non-profit | 125 | 13 | | | | | 336 |
| 395 | Annuity non-profit (PLA) | 700 | 1375 | 14 | | | | 28919 |

**Form 51**
**(Sheet 2)**

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **SAL With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 410 | Group Life | 54 | 124029 | 4 | | | | 2667 |
| 435 | Miscellaneous non-profit | 169 | 71952 | 274 | | | | 574 |
| 440 | Additional reserves non-profit OB | | | 1 | | | | 1609 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | | 1874 | 17 | | | | 772 |
| 300 | Regular premium non-profit WL/EA OB | | 196 | 1 | | | | 153 |
| 360 | Income protection non-profit (guaranteed premiums) | | 6991 | 184 | | | | 471 |
| 385 | Income protection claims in payment | | 128 | | | | | 897 |
| 435 | Miscellaneous non-profit | | 36433 | 97 | | | | 3364 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 155 | Conventional pensions endowment with-profits | 68492 | 2148697 | 5860 | | | | 1822349 |
| 165 | Conventional deferred annuity with-profits | 3796 | 26 | 190 | | | | 128212 |
| 185 | Group conventional pensions endowment with-profits | 7317 | 235135 | 780 | | | | 254115 |
| 210 | Additional reserves with-profits OB | | | 52 | | | | 17610 |
| 305 | Single premium non-profit WL/EA OB | 9897 | 136767 | 0 | | | | 231877 |
| 325 | Level term assurance | 864 | 56348 | 171 | | | | 620 |
| 380 | Miscellaneous protection rider | 3262 | 1059 | 32 | | | | 640 |
| 390 | Deferred annuity non-profit | 6374 | 20453 | 20 | | | | 335761 |
| 400 | Annuity non-profit (CPA) | 27569 | 63421 | 0 | | | | 908503 |
| 435 | Miscellaneous non-profit | 1 | 112571 | | | | | 3619 |
| 440 | Additional reserves non-profit OB | | | 29 | | | | 268 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 325 | Level term assurance | | 37843 | 122 | | | | 385 |
| 390 | Deferred annuity non-profit | | | | | | | 314 |
| 440 | Additional reserves non-profit OB | | | 12 | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **SAL With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

Overseas / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 100 | Conventional whole life with-profits OB | 23 | 725 | 6 | | | | 484 |
| 120 | Conventional endowment with-profits OB savings | 24 | 503 | 10 | | | | 307 |
| 155 | Conventional pensions endowment with-profits | 98 | 3198 | 34 | | | | 2706 |
| 165 | Conventional deferred annuity with-profits | 8 | 13 | 1 | | | | 209 |
| 185 | Group conventional pensions endowment with-profits | 25 | 1513 | | | | | 1699 |
| 205 | Miscellaneous conventional with-profits | 25 | 58 | 12 | | | | 775 |
| 300 | Regular premium non-profit WL/EA OB | 27 | 60 | 0 | | | | 64 |
| 325 | Level term assurance | 59 | 8510 | 28 | | | | 66 |
| 330 | Decreasing term assurance | 34 | 2098 | 10 | | | | 10 |
| 390 | Deferred annuity non-profit | 63 | 187 | | | | | 2935 |
| 400 | Annuity non-profit (CPA) | 269 | 2084 | | | | | 29416 |
| 410 | Group Life | 1 | | | | | | 10 |
| 440 | Additional reserves non-profit OB | | | | | | | 5 |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 400 | Annuity non-profit (CPA) | | 498 | | | | | 8178 |

**Form 51**
**(Sheet 1)**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Non - Profit Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 300 | Regular premium non-profit WL/EA OB | 199516 | 496499 | 28093 | | | | 182813 |
| 305 | Single premium non-profit WL/EA OB | 163 | 2101 | 0 | | | | 2061 |
| 325 | Level term assurance | 55542 | 8757919 | 27779 | | | | 71356 |
| 330 | Decreasing term assurance | 30563 | 1669353 | 8225 | | | | 6499 |
| 335 | Decreasing term assurance (rider benefits) | 9 | 18 | 0 | | | | 1 |
| 340 | Accelerated critical illness (guaranteed premiums) | 22729 | 1460830 | 10657 | | | | 28079 |
| 345 | Accelerated critical illness (reviewable premiums) | 2790 | 693058 | 4987 | | | | 5403 |
| 350 | Stand-alone critical illness (guaranteed premiums) | 10830 | 872354 | 4489 | | | | 29475 |
| 355 | Stand-alone critical illness (reviewable premiums) | 5934 | 882878 | 5467 | | | | 10066 |
| 360 | Income protection non-profit (guaranteed premiums) | 20563 | 320577 | 8844 | | | | 21565 |
| 360 | Income protection non-profit (guaranteed premiums) p.a. | | | | | | | 1245 |
| 365 | Income protection non-profit (reviewable premiums) | 411 | 4920 | 115 | | | | 336 |
| 370 | Long-term care policy | 31 | 1 | 2 | | | | 2 |
| 380 | Miscellaneous protection rider | 11726 | 27555 | 152 | | | | 59 |
| 385 | Income protection claims in payment p.a. | | | 112 | | | | 30973 |

Form 51
(Sheet 2)

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| 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 |
| 390 | Deferred annuity non-profit | 538 | 116 | 1 | | | | 1046 |
| 395 | Annuity non-profit (PLA) | 6927 | 6060 | | | | | 62091 |
| 400 | Annuity non-profit (CPA) | 298 | 596 | | | | | 4702 |
| 410 | Group Life | | 64590 | | | | | 4323 |
| 420 | Group income protection | 2 | | 22 | | | | 26 |
| 425 | Group income protection claims in payment | | 12187 | | | | | 95067 |
| 435 | Miscellaneous non-profit | 6012 | 57052 | 711 | | | | 2826 |
| 435 | Miscellaneous non-profit | 1586 | 39853 | | | | | 2318 |
| 440 | Additional reserves non-profit OB | | | 5 | | | | 47213 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**
**(Sheet 1)**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 300 | Regular premium non-profit WL/EA OB | | 31239 | 1579 | | | | 14842 |
| 305 | Single premium non-profit WL/EA OB | | 77 | | | | | 67 |
| 325 | Level term assurance | | 2240627 | 5506 | | | | 27960 |
| 330 | Decreasing term assurance | | 1140637 | 4394 | | | | 1639 |
| 340 | Accelerated critical illness (guaranteed premiums) | | 1148039 | 5957 | | | | 21734 |
| 345 | Accelerated critical illness (reviewable premiums) | | 96002 | 696 | | | | 1156 |
| 350 | Stand-alone critical illness (guaranteed premiums) | | 632361 | 2742 | | | | 17006 |
| 355 | Stand-alone critical illness (reviewable premiums) | | 195138 | 627 | | | | 1670 |
| 360 | Income protection non-profit (guaranteed premiums) | | 66391 | 1473 | | | | 176 |
| 365 | Income protection non-profit (reviewable premiums) | | 3842 | 77 | | | | 5 |
| 370 | Long-term care policy | | 0 | 1 | | | | 1 |
| 380 | Miscellaneous protection rider | | 5133 | 70 | | | | 30 |
| 385 | Income protection claims in payment | | | 0 | | | | 3397 |
| 395 | Annuity non-profit (PLA) | | 1 | | | | | 8 |
| 400 | Annuity non-profit (CPA) | | 573 | | | | | 4511 |

**Form 51**
**(Sheet 2)**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 420 | Group income protection | | | 22 | | | | 26 |
| 425 | Group income protection claims in payment | | 12187 | | | | | 92771 |
| 435 | Miscellaneous non-profit | | 21627 | 66 | | | | 180 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 51

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 315 | Individual deposit administration non-profit | 3218 | 600 | 91 | | | | 41928 |
| 320 | Group deposit administration non-profit | 3841 | 4629 | 53 | | | | 46265 |
| 325 | Level term assurance | 26945 | 1845341 | 5424 | | | | 21428 |
| 330 | Decreasing term assurance | 3 | 94 | 0 | | | | 1 |
| 380 | Miscellaneous protection rider | 37 | 15 | 1 | | | | 23 |
| 390 | Deferred annuity non-profit | 151 | 340 | 12 | | | | 22310 |
| 390 | Deferred annuity non-profit p.a. | 24770 | 33788 | 19 | | | | 417212 |
| 400 | Annuity non-profit (CPA) | 126868 | 229930 | | | | | 3304309 |
| 405 | Annuity non-profit (CPA impaired life) | 19479 | 48312 | | | | | 600903 |
| 435 | Miscellaneous non-profit | 2146 | 3605 | 7 | | | | 6248 |
| 435 | Miscellaneous non-profit p.a. | | 0 | | | | | 60 |
| 440 | Additional reserves non-profit OB | | | 1 | | | | 123283 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Reinsurance ceded external | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 325 | Level term assurance | | 574087 | 975 | | | | 2684 |
| 330 | Decreasing term assurance | | 47 | 0 | | | | 0 |
| 380 | Miscellaneous protection rider | | 3 | 0 | | | | 0 |
| 400 | Annuity non-profit (CPA) | | 91869 | | | | | 1055826 |
| 405 | Annuity non-profit (CPA impaired life) | | | | | | | 59388 |
| 440 | Additional reserves non-profit OB | | | | | | | 2 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 300 | Regular premium non-profit WL/EA OB | 2 | 78 | 1 | | | | 53 |
| 325 | Level term assurance | 536 | 57706 | 258 | | | | 5728 |
| 330 | Decreasing term assurance | 1119 | 26214 | 156 | | | | 491 |
| 360 | Income protection non-profit (guaranteed premiums) | 1369 | 21398 | 11 | | | | 4198 |
| 390 | Deferred annuity non-profit | 5 | 17 | | | | | 176 |
| 395 | Annuity non-profit (PLA) | 32 | 104 | | | | | 1655 |
| 400 | Annuity non-profit (CPA) | 3498 | 21785 | | | | | 340286 |
| 435 | Miscellaneous non-profit | 685 | 31228 | 125 | | | | 1544 |
| 435 | Miscellaneous non-profit p.a. | 209 | 219 | | | | | 2955 |
| 440 | Additional reserves non-profit OB | 22 | | | | | | 1600 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 51**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 325 | Level term assurance | | 19701 | 97 | | | | 3596 |
| 330 | Decreasing term assurance | | 4705 | 19 | | | | 332 |
| 435 | Miscellaneous non-profit | | 35 | 0 | | | | 1 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 15312 | 78454 | | 76834 | 76834 | 460 | 77294 |
| 506 | Life UWP whole life regular premium (ISA) | 5766 | 9484 | 391 | 9126 | 10510 | 4499 | 15008 |
| 510 | Life UWP endowment regular premium - savings | 197 | 3048 | 239 | 2569 | 2569 | | 2569 |
| 515 | Life UWP endowment regular premium – target cash | 153 | 7878 | 155 | 1949 | 1949 | 10 | 1958 |
| 525 | Individual pensions UWP | 639 | 4893 | 234 | 4893 | 4893 | | 4893 |
| 610 | Additional reserves UWP | | | | | | 9162 | 9162 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 515 | Life UWP endowment regular premium – target cash | 9 | 148 | 3 | | | 1 | 1 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 525 | Individual pensions UWP | 203807 | 2269282 | 12106 | 2275837 | 2275837 | 0 | 2275837 |
| 610 | Additional reserves UWP | | | | | | 74007 | 74007 |

**Form 52**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 525 | Individual pensions UWP | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 626 | 19251 | | 19251 | 19251 | | 19251 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 525 | Individual pensions UWP | 19 | | 504 | 33937 | 33860 | | 33860 |
| 610 | Additional reserves UWP | | | | | | 3844 | 3844 |

Form 52

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Alba With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 510 | Life UWP endowment regular premium - savings | | 7 | | 7 | 9 | | 9 |
| 515 | Life UWP endowment regular premium – target cash | | 3778 | | 3778 | 4913 | | 4913 |
| 555 | Group deposit administration with-profits | 1 | 150 | | 150 | 150 | | 150 |

Form 52

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |



| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | | 16330 | | 16330 | 20892 | | 20892 |
| 535 | Group money purchase pensions UWP | | 20112 | | 20112 | 20193 | | 20193 |
| 555 | Group deposit administration with-profits | 5938 | 98726 | 63 | 105293 | 105727 | | 105727 |
| 565 | DWP National Insurance rebates UWP | | 24941 | | 24941 | 30262 | | 30262 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

Overseas / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 555 | Group deposit administration with-profits | 118 | 87 | 13 | 4861 | 4861 | | 4861 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Phoenix With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 500 | Life UWP single premium | 8077 | 190101 | | 188219 | 191320 | 19193 | 210514 |
| 575 | Miscellaneous UWP | 6 | 224 | | 224 | 224 | | 224 |
| 610 | Additional reserves UWP | | | | (3394) | (3394) | | (3394) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 52

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Phoenix With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | 25629 | 682800 | 2131 | 671064 | 607271 | 23569 | 630840 |
| 535 | Group money purchase pensions UWP | 6432 | 68885 | 2958 | 68885 | 60055 | 5080 | 65136 |
| 575 | Miscellaneous UWP | | 1018 | | 1245 | 1245 | 1181 | 2427 |
| 610 | Additional reserves UWP | | | | (567) | (567) | | (567) |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 45 | 3448 | | 3414 | 4056 | | 4056 |
| 575 | Miscellaneous UWP | 761 | 5809 | 317 | 5809 | 5035 | 47 | 5082 |
| 610 | Additional reserves UWP | | | | (153) | (153) | | (153) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Scottish Mutual With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 8078 | 167206 | | 167206 | 166884 | | 166884 |
| 505 | Life UWP whole life regular premium | | 1488 | 235 | 1488 | 1488 | 16 | 1504 |
| 510 | Life UWP endowment regular premium - savings | | 10343 | 870 | 10343 | 10343 | 23 | 10366 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | | 258344 | 2923 | 258344 | 307487 | 5655 | 313142 |
| 535 | Group money purchase pensions UWP | | 179681 | 825 | 179681 | 221603 | 1936 | 223539 |
| 570 | Income drawdown UWP | | 4207 | | 4207 | 4207 | | 4207 |
| 571 | Trustee investment plan UWP | | 1454 | | 1454 | 1452 | | 1452 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Scottish Mutual With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

Overseas / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | | 7505 | | 7505 | 7457 | | 7457 |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 2973 | 65073 | | 75546 | 75546 | | 75546 |
| 510 | Life UWP endowment regular premium - savings | 111 | 6195 | 141 | 2052 | 2052 | | 2052 |
| 575 | Miscellaneous UWP | 10 | 85 | | 76 | 76 | | 76 |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | 41171 | 326542 | 1660 | 393344 | 393344 | | 393344 |
| 571 | Trustee investment plan UWP | 8 | 805 | | 1100 | 1100 | | 1100 |
| 555 | Group deposit administration with-profits | 33 | 4732 | (1834) | 47324 | 47324 | 21377 | 68701 |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 64 | 1824 | | 1824 | 1824 | | 1824 |
| 505 | Life UWP whole life regular premium | 2 | 43 | 4 | 43 | 43 | | 43 |
| 525 | Individual pensions UWP | 929 | 17462 | 309 | 18711 | 18711 | 13077 | 31788 |
| 535 | Group money purchase pensions UWP | 3 | 482 | | 482 | 482 | | 482 |
| 555 | Group deposit administration with-profits | 3 | 468 | 30 | 4683 | 4683 | 3799 | 8482 |
| 575 | Miscellaneous UWP | 80 | 254 | | 232 | 232 | | 232 |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 500 | Life UWP single premium | 1707 | 7823 | | 7639 | 6214 | 1425 | 7639 |
| 505 | Life UWP whole life regular premium | 1853 | 4014 | 1150 | 4014 | 2729 | 2971 | 5700 |
| 510 | Life UWP endowment regular premium - savings | 55 | 372 | 23 | 372 | 354 | 19 | 373 |
| 515 | Life UWP endowment regular premium – target cash | 731 | 8143 | 525 | 8143 | 7500 | 646 | 8146 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 52

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | 7065 | | | | | | |
| 535 | Group money purchase pensions UWP | 414 | | | 11064 | 9846 | 995 | 10841 |
| 610 | Additional reserves UWP | | | | (223) | (223) | | (223) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Non - Profit Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | | 1589 | | | | 229 | 229 |
| 610 | Additional reserves UWP | | | | | | 58 | 58 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | | | | | | 4924 | 4924 |
| 571 | Trustee investment plan UWP | | | | | | 11 | 11 |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | | | | | | 1 | 1 |
| 525 | Individual pensions UWP | | | | | | 917 | 917 |
| 575 | Miscellaneous UWP | | | | | | 85 | 85 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **NPI With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | 3005 | 71887 | | 71782 | 64522 | 7243 | 71764 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 52**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded intra-group | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 500 | Life UWP single premium | | 71887 | | 71782 | 64522 | 7243 | 71764 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 52

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **NPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 525 | Individual pensions UWP | 827 | 15805 | 127 | 15805 | 14790 | 544 | 15334 |
| 535 | Group money purchase pensions UWP | 5017 | 34259 | 60 | 34259 | 34306 | 1539 | 35845 |
| 570 | Income drawdown UWP | 48 | 6849 | | 6849 | 6378 | 36 | 6415 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **NPI With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Reinsurance ceded intra-group

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 525 | Individual pensions UWP | | 15805 | 127 | 15805 | 14790 | 544 | 15334 |
| 535 | Group money purchase pensions UWP | | 34259 | 60 | 34259 | 34306 | 1539 | 35845 |
| 570 | Income drawdown UWP | | 6849 | | 6849 | 6378 | 36 | 6415 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 725 | Individual pensions property linked | | | | | | 3817 | 3817 |

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 700 | Life property linked single premium | | | | 276 | 276 | | 276 |
| 720 | Life property linked endowment regular premium – target cash | | | | 1624 | 1624 | | 1624 |
| 800 | Additional reserves property linked | | | | 1801 | 1801 | | 1801 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Alba With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 725 | Individual pensions property linked | | | | 2010 | 2010 | | 2010 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 53**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Phoenix With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 715 | Life property linked endowment regular premium - savings | 82 | 4222 | 7 | 4222 | 4222 | 124 | 4346 |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 725 | Individual pensions property linked | | 4642 | | 4642 | | 10 | 10 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 700 | Life property linked single premium | 630 | 714 | | 1114 | 1114 | 85 | 1199 |
| 710 | Life property linked whole life regular premium | 2799 | 28380 | 323 | 702 | 702 | 85 | 787 |

Form 53

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

UK Pension / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 725 | Individual pensions property linked | 73042 | | | | | | |
| 735 | Group money purchase pensions property linked | 1918 | | | | | | |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 700 | Life property linked single premium | 57286 | 1105890 | | 1094463 | 1093543 | 3050 | 1096594 |
| 710 | Life property linked whole life regular premium | 95207 | 4196186 | 36135 | 409966 | 408370 | 50792 | 459162 |
| 715 | Life property linked endowment regular premium - savings | 29911 | 502393 | 8815 | 356081 | 356133 | 1885 | 358019 |
| 720 | Life property linked endowment regular premium – target cash | 19630 | 621438 | 13044 | 382410 | 382392 | 3365 | 385757 |
| 770 | Term assurance rider | | 532 | 13 | | | 1 | 1 |
| 780 | Stand-alone critical illness rider | 1364 | 39109 | 436 | 1740 | 1740 | 41 | 1781 |
| 785 | Income protection rider | 4063 | 2939 | 1813 | 3502 | 3502 | 1 | 3503 |
| 785 | Income protection rider p.a. | 167 | 4239 | 379 | 322 | 322 | | 322 |
| 790 | Miscellaneous protection rider | | | 20 | | | 520 | 520 |
| 795 | Miscellaneous property linked | 2320 | 46816 | 324 | 25877 | 25877 | 94 | 25971 |
| 795 | Miscellaneous property linked p.a. | 32 | 75 | | 75 | 75 | 116 | 191 |
| 800 | Additional reserves property linked | | | 7 | 52042 | 52042 | 9105 | 61147 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 53**

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **Non - Profit Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 700 | Life property linked single premium | | 101 | | 28 | 28 | 0 | 28 |
| 710 | Life property linked whole life regular premium | | 131937 | 1238 | 10741 | 10741 | (57) | 10684 |
| 715 | Life property linked endowment regular premium - savings | | 3337 | 5 | | | 5 | 5 |
| 720 | Life property linked endowment regular premium – target cash | | 9340 | 91 | | | 4 | 4 |
| 795 | Miscellaneous property linked | | 4858 | 18 | | | 6 | 6 |
| 795 | Miscellaneous property linked p.a. | | | | | | 105 | 105 |
| 800 | Additional reserves property linked | | | 3 | | | 4 | 4 |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded intra-group | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 770 | Term assurance rider | | 532 | 13 | | | 1 | 1 |

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Non - Profit Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Gross



| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 725 | Individual pensions property linked | 425017 | 6477733 | 52713 | 6329874 | 6264832 | 98667 | 6363499 |
| 735 | Group money purchase pensions property linked | 108285 | 931211 | 9422 | 924179 | 918671 | 33372 | 952043 |
| 745 | DWP National Insurance rebates property linked | 35552 | 376041 | | 376041 | 376041 | 687 | 376728 |
| 750 | Income drawdown property linked | 2048 | 155244 | | 155244 | 155244 | (2064) | 153181 |
| 755 | Trustee investment plan | 136 | 15570 | | 142355 | 142027 | 217 | 142245 |
| 765 | Group managed fund | 7010 | 56527 | 1258 | 56527 | 56527 | 1 | 56528 |
| 790 | Miscellaneous protection rider | 1037 | 297 | 36 | | | 135 | 135 |
| 795 | Miscellaneous property linked | 124 | 5103 | 15 | 3877 | 3838 | 24 | 3863 |
| 800 | Additional reserves property linked | | | | 388137 | 388137 | 12848 | 400986 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Non - Profit Fund**

Financial year ended **31 December 2013**

Units **£000**

UK Pension / Reinsurance ceded external

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 725 | Individual pensions property linked | | 3684 | 18 | | | 0 | 0 |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Reinsurance ceded intra-group | |

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 725 | Individual pensions property linked | | | | | | 41567 | 41567 |

**Form 53**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 700 | Life property linked single premium | 1001 | 276725 | | 18362 | 18367 | 1387 | 19754 |
| 710 | Life property linked whole life regular premium | 2994 | 265105 | 917 | 2416 | 2416 | 502 | 2918 |
| 715 | Life property linked endowment regular premium - savings | 84 | 4349 | 2 | 1830 | 1830 | 0 | 1830 |
| 720 | Life property linked endowment regular premium – target cash | 1 | 34 | 1 | 23 | 23 | 0 | 23 |
| 725 | Individual pensions property linked | 801 | 15493 | 209 | 21930 | 21929 | 739 | 22668 |
| 735 | Group money purchase pensions property linked | 110 | 1945 | 5 | 1900 | 1900 | 104 | 2003 |
| 795 | Miscellaneous property linked | 273 | 24454 | 197 | 1466 | 1466 | 19 | 1484 |
| 800 | Additional reserves property linked | | | | 1314 | 1314 | | 1314 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 54**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 905 | Index linked annuity (CPA) | 5437 | 8277 | | | 212849 | | 212849 |

**Form 54**

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **Phoenix With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

Overseas / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 905 | Index linked annuity (CPA) | 3 | 16 | | | 234 | | 234 |

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

Name of insurer **Phoenix Life Limited**
Total business / subfund **SAL With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 905 | Index linked annuity (CPA) | 33 | 692 | | | 28704 | | 28704 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 54**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 905 | Index linked annuity (CPA) | 212 | 1636 | | | 27953 | | 27953 |
| 910 | Miscellaneous index linked | 2 | 6 | | | 107 | | 107 |

**Form 54**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| Overseas / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 905 | Index linked annuity (CPA) | 4 | 131 | | | 1478 | | 1478 |

**Form 54**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Gross | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 900 | Life index linked single premium | 85 | 518 | | 518 | 518 | | 518 |
| 901 | Index linked income protection claims in payment | | | | 40759 | 40759 | 141 | 40899 |
| 902 | Group index linked income protection claims in payment | | 2779 | | 19239 | 19239 | 673 | 19912 |
| 905 | Index linked annuity (CPA) | 68 | 212 | | 2151 | 2151 | 138 | 2289 |
| 910 | Miscellaneous index linked | 47761 | 2322300 | 18229 | 93359 | 93359 | 49635 | 142994 |
| 915 | Additional reserves index linked | | | | | | 19427 | 19427 |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Life / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 901 | Index linked income protection claims in payment | | | | 19920 | 19920 | 102 | 20022 |
| 902 | Group index linked income protection claims in payment | | 2779 | | 19239 | 19239 | 192 | 19431 |
| 910 | Miscellaneous index linked | | 1983624 | 11224 | 2308 | 2308 | 2123 | 4431 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 54**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 905 | Index linked annuity (CPA) | 3839 | 15853 | | 379768 | 379768 | 7708 | 387476 |
| 910 | Miscellaneous index linked | 744 | 125928 | 347 | 53102 | 52940 | 608 | 53549 |

Form 54

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |
| UK Pension / Reinsurance ceded external | |

| Product code number<br>1 | Product description<br>2 | Number of policyholders / scheme members<br>3 | Amount of benefit<br>4 | Amount of annual office premiums<br>5 | Nominal value of units<br>6 | Discounted value of units<br>7 | Other liabilities<br>8 | Amount of mathematical reserves<br>9 |
|---|---|---|---|---|---|---|---|---|
| 905 | Index linked annuity (CPA) | | 1084 | | 23094 | 23094 | 174 | 23268 |
| 910 | Miscellaneous index linked | | 110135 | 158 | 410 | 410 | 4 | 414 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

**Form 55**

## Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2013**

Units **£000**

| Fund name<br>1 | Type of fund<br>2 | Net assets<br>3 | Main series<br>4 | Unit management charge<br>5 | Price at previous valuation date<br>6 | Price at current valuation date<br>7 | Change in price during year<br>8 |
|---|---|---|---|---|---|---|---|
| Managed | 02 - life - balanced managed fund | 445981 | ULA Series | 1.00 | 9.2653 | 10.5251 | 13.60 |
| Multiple Growth fund | 05 - life - UK equity | 130709 | Series O | 1.00 | 18.3060 | 20.4840 | 11.90 |
| Pension Equity | 15 - individual pension - UK equity | 144424 | ULPF Accum | 1.13 | 20.7341 | 25.1358 | 21.23 |
| Pension Managed | 12 - individual pension - balanced managed fund | 1671170 | SAPL Group | 1.13 | 11.6665 | 13.4950 | 15.67 |
| BULA Pension Managed | 12 - individual pension - balanced managed fund | 296440 | Series 1 | 1.25 | 6.4864 | 7.4880 | 15.44 |
| BULA PMF Managed | 22 - group managed fund - balanced managed fund | 103348 | Series 1 | 0.15 | 34.7259 | 40.0540 | 15.34 |
| ACI Managed Life | 02 - life - balanced managed fund | 229675 | Series B | 1.00 | 22.5179 | 25.7400 | 14.31 |
| ACI Pension Managed | 12 - individual pension - balanced managed fund | 191545 | Series A | 1.25 | 4.7000 | 5.3700 | 14.26 |
| Alba Managed Pension | 14 - individual pension - other managed fund | 261748 | Series 1 Accum | 1.00 | 6.4030 | 7.3600 | 14.95 |
| SM Growth Pension | 14 - individual pension - other managed fund | 339401 | Accumulation | 1.00 | 116.5000 | 128.8000 | 10.56 |
| SP Balanced Growth Managed | 12 - individual pension - balanced managed fund | 102477 | Accumulation | 1.00 | 286.7000 | 315.0953 | 9.90 |
| NEL Aberdeen Managed Pension | 12 - individual pension - balanced managed fund | 276730 | Managed 7404 (P US) | 1.24 | 15.9930 | 18.3524 | 14.75 |
| UK Managed Internal Pension | 12 - individual pension - balanced managed fund | 170412 | UK Managed Internal Pension Accum | 1.65 | 6.0317 | 6.9269 | 14.84 |
| NPI Pension Managed | 12 - individual pension - balanced managed fund | 1361442 | Ordinary Series 1 & 2 | 1.01 | 18.5492 | 20.8618 | 12.47 |
| NPI Pension UK Equity | 15 - individual pension - UK equity | 199615 | Ordinary Series 1 & 2 | 1.01 | 24.7948 | 29.7047 | 19.80 |
| PAULP Retirement Managed | 14 - individual pension - other managed fund | 318908 | Mixed Accumulation | 1.00 | 4.6990 | 5.3990 | 14.90 |
| | | | | | | | |
| | | | | | | | |

Form 56

**Long-term insurance business : Index linked business**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business | |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Value of assets<br>1 | Mean Term<br>2 |
|---|---|---|---|
| **Analysis of assets** | | | |
| Approved variable interest securities | **11** | 458237 | 18.50 |
| Other variable interest securities | **12** | 150850 | 8.65 |
| Approved fixed interest securities | **13** | 16351 | 20.47 |
| Other fixed interest securities | **14** | | |
| Cash and deposits | **15** | 2740 | |
| Equity index derivatives | **16** | | |
| Inflation swaps | **17** | | |
| Other assets | **18** | 166910 | |
| Variation margin | **19** | | |
| **Total (11 to 19)** | **20** | 795087 | |
| **Credit rating of other fixed interest and other variable interest securities** | | | |
| AAA/Aaa | **31** | 61640 | 7.29 |
| AA/Aa | **32** | 307 | 10.09 |
| A/A | **33** | 54844 | 10.05 |
| BBB/Baa | **34** | 31027 | 8.68 |
| BB/Ba | **35** | | |
| B/B | **36** | | |
| CCC/Caa | **37** | | |
| Other (including unrated) | **38** | 3033 | 10.52 |
| **Total other fixed interest and other variable interest securities** | **39** | 150850 | 8.65 |

**Form 57**

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **Phoenix Life Limited**

Subfund **Britannic Industrial Branch Fund**

Financial year ended **31 December 2013**

Units **£000**

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK L&GA WP Form 51 Assurances | 150608 | 2.08 | 2.60 | 2.89 |
| UK L&GA NP Form 51 Assurances | 36051 | 2.08 | 2.60 | 2.78 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 186659 | | | |

Form 57

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **Phoenix Life Limited**

Subfund **Britannic With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK L&GA WP Form 51 Assurances | 163472 | 3.16 | 3.95 | 4.29 |
| UK L&GA NP Form 51 Assurances | 10021 | 3.21 | 4.02 | 4.24 |
| UK Pensions WP Form 51 Annuities | 75196 | 3.95 | 3.95 | 4.25 |
| UK Pensions NP Form 51 Annuities | 107959 | 3.07 | 3.07 | 4.25 |
| UK L&GA WP Form 52 Assurances | 95876 | 2.29 | 2.87 | 3.55 |
| UK Other WP Form 52 Assurances | 15008 | 3.95 | 3.95 | 4.27 |
| UK Pensions WP Form 52 Pensions | 2406547 | 2.81 | 2.81 | 3.05 |
| UK Pensions NP Form 53 Pensions | 3817 | 3.90 | 3.90 | 4.24 |
| UK Miscellaneous | 74072 | n/a | n/a | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 2951968 | | | |

**Form 57**

**Long-term insurance business: Analysis of valuation interest rate**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK L&GA WP Form 51 Assurances | 94112 | 2.24 | 2.80 | 3.02 |
| UK L&GA NP Form 51 Non Interest | 7044 | | | 0.60 |
| UK L&GA NP Form 51 Assurances | 12609 | 2.54 | 2.87 | 3.02 |
| UK Pens WP Form 52 With Profit Funds | 55045 | | 2.64 | 3.06 |
| UK Pens WP Form 52 Deposit Administration | 63913 | | 2.77 | 2.95 |
| UK Pens WP Form 52 With Profit Funds | 16302 | | 4.00 | 4.25 |
| UK Pens WP Form 51 Annual Premium Deferred Annuities | 9987 | | 2.91 | 3.13 |
| UK Pens WP Form 51 Single Premium Deferred Annuities | 40162 | | 2.91 | 3.13 |
| UK Pens WP Form 51 Annual Premium Deferred Annuities | 144603 | | 3.64 | 3.82 |
| UK Pens WP Form 51 Single Premium Deferred Annuities | 235252 | | 3.92 | 4.13 |
| UK Pens WP Form 51 Growth Pension Deferred Annuities | 12453 | | 3.92 | 4.13 |
| UK Pens NP Form 51 Non Interest | 60702 | | | 0.34 |
| UK Pens WP Form 52 Deposit Administration : Group Pension Plan | 24122 | | 2.70 | 3.12 |
| UK Pens NP Form 51 Annual Premium Assurances and Deferred Annuities | 11509 | | 3.39 | 3.56 |
| UK Pens NP Form 51 Immediate Annuities | 402480 | | 3.36 | 3.53 |
| UK Pens NP Form 51 Single Premium Assurances and Deferred Annuities | 56558 | | 3.43 | 3.60 |
| Misc | 55764 | n/a | n/a | |
| | | | | |
| | | | | |
| **Total** | 1302619 | | | |

**Form 57**

**Long-term insurance business: Analysis of valuation interest rate**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK L&GA WP Form 51 Endowment Assurances | 433974 | 1.63 | 1.97 | 2.26 |
| UK L&GA WP Form 51 Whole Life Assurances | 65125 | 1.48 | 1.88 | 2.06 |
| UK L&GA NP Form 51 Endowment Assurances | 16050 | 1.64 | 2.09 | 2.31 |
| UK Pensions WP Form 51 Deferred Annuity (RP) | 212772 | | 1.62 | 2.03 |
| UK Pensions WP Form 51 Deferred Annuity (SP/PUP) | 290780 | | 2.44 | 2.87 |
| UK Pensions NP Form 51 Deferred Annuity | 330819 | | 3.17 | 3.49 |
| UK Pensions NP Form 51 Annuities in Payment | 700816 | | 3.26 | 3.52 |
| UK L&GA WP Form 52 With Profit Bond | 210514 | 1.48 | 1.88 | 2.04 |
| UK Pensions WP Form 52 UWP Pensions | 690610 | | 1.90 | 2.32 |
| Misc | 225599 | n/a | n/a | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 3177059 | | | |

**Form 57**

**Long-term insurance business: Analysis of valuation interest rate**

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK Life WPSF Form 51, Assurances, 2.40 | 55287 | 2.40 | 3.00 | 3.17 |
| UK Life WPSF Form 51, Miscellaneous | 4115 | n/a | n/a | 3.17 |
| UK Pension WPSF Form 51, Annuity, 2.50 | 139803 | 2.50 | 2.50 | 2.61 |
| UK Pension WPSF Form 51, Deferred Annuity, 2.50 | 1147776 | 2.50 | 2.50 | 2.61 |
| UK Pension WPSF Form 51, Assurances, 2.50 | 8045 | 2.50 | 2.50 | 2.61 |
| UK Pension WPSF Form 51, Miscellaneous | 5468 | n/a | n/a | 2.61 |
| UK Pension WPSF Form 51, Additional Reserves, 0 | 22709 | n/a | n/a | 2.61 |
| UWP Life Assurances | 178753 | 2.45 | 3.06 | 3.18 |
| UWP Pensions | 542341 | 1.90 | 1.90 | 1.98 |
| UWP Life Overseas, SMI | 7457 | 1.90 | 1.90 | 1.98 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 2111755 | | | |

**Form 57**

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

Name of insurer **Phoenix Life Limited**

Subfund **SPI With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| Product group | Net mathematical reserves | Net valuation interest rate | Gross valuation interest rate | Risk adjusted yield on matching assets |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| UK, L&GA, With Profit, Form 51 assurances 2.5% | 491762 | 2.50 | 2.82 | 3.13 |
| UK, L&GA, With Profit, Form 51 assurances 2.6% | 256 | 2.60 | 2.60 | 2.83 |
| UK, L&GA, With Profit, Form 52 assurances 2.2% | 77674 | 2.15 | 2.42 | 2.74 |
| UK, Pens, With Profit, Form 51 assurances 2.6% | 198929 | 2.60 | 2.60 | 2.83 |
| UK, Pens, With Profit, Form 52 assurances 2.55% | 463146 | 2.55 | 2.55 | 2.80 |
| UK, L&GA, Non Profit, Form 51 assurances 2.50% | 6246 | 2.50 | 2.82 | 3.13 |
| UK, L&GA, Non Profit, Form 51 assurances 2.10% | 854 | 2.10 | 2.63 | 2.85 |
| UK, Pens, Non Profit, Form 51 assurances 2.65% | 7886 | 2.65 | 2.65 | 2.85 |
| OS, L&GA, Non Profit, Form 51 assurances 0.25% | 288 | 0.25 | 0.31 | 0.46 |
| OS, L&GA, With Profit, Form 51 assurances 1.75% | 47693 | 1.75 | 2.19 | 2.71 |
| OS, L&GA, With Profit, Form 51 assurances 1.4% | 63 | 1.40 | 1.40 | 1.64 |
| OS, L&GA, With Profit, Form 52 assurances 1.75% | 2349 | 1.75 | 2.19 | 2.75 |
| OS, Pens, With Profit, Form 51 assurances 1.4% | 345156 | 1.40 | 1.40 | 1.64 |
| OS, Pens, With Profit, Form 52 assurances 1.65% | 40502 | 1.65 | 1.65 | 1.92 |
| Miscellaneous | 46341 | n/a | n/a | 2.73 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 1729146 | | | |

Form 57

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **Phoenix Life Limited**

Subfund **SAL With-Profits Fund**

Financial year ended **31 December 2013**

Units **£000**

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK L&GA WP Form 51 endowment assurances | 334316 | 1.65 | 2.05 | 2.24 |
| UK Pens NP Form 51 annuities in payment (including associated reversionary benefits) | 929740 | | 2.83 | 2.98 |
| UK Pens NP Form 51 assurances | 575175 | | 2.06 | 3.20 |
| UK Pens WP Form 51 pure endowments and deferred annuities: | | | | |
| with ongoing premiums | 450461 | | 2.83 | 3.04 |
| other | 1694086 | | 3.58 | 3.79 |
| Misc | 220999 | n/a | n/a | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 4204777 | | | |

**Form 57**

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **Phoenix Life Limited**

Subfund **Non - Profit Fund**

Financial year ended **31 December 2013**

Units **£000**

| Product group<br>1 | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|---|---|---|---|---|
| UK L&GA F54 Index linked codes 900-910 | 48042 | 3.05 | 3.05 | 3.11 |
| UK L&GA F51 codes 300-345,370,380,390,410 | 234261 | 2.10 | 2.63 | 2.72 |
| UK L&GA F51 Annuities codes 395-400 | 30602 | 2.10 | 2.63 | 2.73 |
| UK L&GA F53 Non unit reserves codes 700-785 | 59182 | 2.10 | 2.63 | 2.73 |
| UK L&GA F51 Additional reserves code 440 | 47103 | | | 0.44 |
| UK F51 Deferred annuity codes 315-390, Critical illness codes 350-365, UKP code 410, UKL code 420 | 79798 | | 2.65 | 2.73 |
| UK Pension F51 Annuity codes 400-405 | 25036 | | 3.47 | 3.68 |
| UK Pension F51 Additional reserves code 440 | 113752 | | | 0.44 |
| UK Pension F53 Non unit reserves codes 725-770 | 89314 | | 2.65 | 2.72 |
| UK F51 Income Protection Claims in Payment code 385, Group Critical Illness codes 425-430 | 29872 | | 2.65 | 2.73 |
| Overseas F51 codes 300-390, 410,435 | 8086 | | 2.65 | 2.73 |
| Overseas F53 Non unit reserves codes 700-725 | 2628 | | 2.65 | 2.98 |
| F52 Pension codes 525,571 | 4935 | | 2.75 | 2.90 |
| UK F51 Deferred annuity codes 315-390 | 505407 | | 3.50 | 3.59 |
| UK Pension F51 Annuity codes 400-405 | 2680763 | | 3.47 | 3.56 |
| UK Pension F54 Annuity Index Linked code 905 | 7070 | | 3.55 | 3.64 |
| Overseas F51 codes 300-390, 410,435 | 3132 | | 2.46 | 2.52 |
| Overseas F51 Annuities codes 395-400 | 341941 | | 2.46 | 2.52 |
| Miscellaneous | 188210 | n/a | n/a | n/a |
| **Total** | 4499134 | | | |

**Form 58**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Summary** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 32192380 | 33564485 |
| Bonus payments in anticipation of a surplus | **12** | 542596 | 427297 |
| Transfer to non-technical account | **13** | 288447 | 253610 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 33023423 | 34245392 |
| Mathematical reserves | **21** | 31613556 | 33017810 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 1409867 | 1227583 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 498658 | 589489 |
| Transfer from non-technical account | **32** | | (47846) |
| Transfer from other funds / parts of fund | **33** | | 10000 |
| Surplus arising since the last valuation | **34** | 911209 | 675940 |
| Total | **39** | 1409867 | 1227583 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 542596 | 427297 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 110766 | 48018 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 653362 | 475315 |
| Net transfer out of fund / part of fund | **47** | 288447 | 253610 |
| Total distributed surplus (46+47) | **48** | 941809 | 728925 |
| Surplus carried forward | **49** | 468058 | 498658 |
| Total (48+49) | **59** | 1409867 | 1227583 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | | |
| Current year - 1 | **62** | | |
| Current year - 2 | **63** | | |
| Current year - 3 | **64** | | |

**Form 58**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic Industrial Branch Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 319419 | 358043 |
| Bonus payments in anticipation of a surplus | **12** | 19471 | 17278 |
| Transfer to non-technical account | **13** | 2227 | 1996 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 341117 | 377317 |
| Mathematical reserves | **21** | 186092 | 224597 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 155025 | 152720 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 132760 | 132760 |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 22265 | 19960 |
| Total | **39** | 155025 | 152720 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 19471 | 17278 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 567 | 686 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 20039 | 17964 |
| Net transfer out of fund / part of fund | **47** | 2227 | 1996 |
| Total distributed surplus (46+47) | **48** | 22265 | 19960 |
| Surplus carried forward | **49** | 132760 | 132760 |
| Total (48+49) | **59** | 155025 | 152720 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 90.00 | 90.00 |
| Current year - 1 | **62** | 90.00 | 90.00 |
| Current year - 2 | **63** | 90.00 | 90.00 |
| Current year - 3 | **64** | 90.00 | 90.00 |

Form 58

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Britannic With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | 11 | 2956968 | 3163330 |
| Bonus payments in anticipation of a surplus | 12 | 69455 | 58210 |
| Transfer to non-technical account | 13 | 14422 | 9413 |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 3040846 | 3230953 |
| Mathematical reserves | 21 | 2891622 | 3131825 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 149224 | 99128 |
| **Composition of surplus** | | | |
| Balance brought forward | 31 | 5000 | 5000 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 144224 | 94128 |
| Total | 39 | 149224 | 99128 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | 41 | 69455 | 58210 |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | 60346 | 26505 |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | 129801 | 84715 |
| Net transfer out of fund / part of fund | 47 | 14422 | 9413 |
| Total distributed surplus (46+47) | 48 | 144224 | 94128 |
| Surplus carried forward | 49 | 5000 | 5000 |
| Total (48+49) | 59 | 149224 | 99128 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | 90.00 | 90.00 |
| Current year - 1 | 62 | 90.00 | 90.00 |
| Current year - 2 | 63 | 90.00 | 90.00 |
| Current year - 3 | 64 | 90.00 | 90.00 |

Form 58

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **90% With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 66224 | 87226 |
| Bonus payments in anticipation of a surplus | **12** | 7368 | 5468 |
| Transfer to non-technical account | **13** | 877 | 675 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 74468 | 93369 |
| Mathematical reserves | **21** | 65253 | 86173 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 9215 | 7196 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 450 | 450 |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 8765 | 6746 |
| Total | **39** | 9215 | 7196 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 7368 | 5468 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 521 | 603 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 7889 | 6072 |
| Net transfer out of fund / part of fund | **47** | 877 | 675 |
| Total distributed surplus (46+47) | **48** | 8765 | 6746 |
| Surplus carried forward | **49** | 450 | 450 |
| Total (48+49) | **59** | 9215 | 7196 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 90.00 | 90.00 |
| Current year - 1 | **62** | 90.00 | 90.00 |
| Current year - 2 | **63** | 90.00 | 90.00 |
| Current year - 3 | **64** | 90.00 | 90.00 |

**Form 58**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **100% Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 21658 | 29259 |
| Bonus payments in anticipation of a surplus | **12** | 9830 | 11639 |
| Transfer to non-technical account | **13** | | |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 31488 | 40898 |
| Mathematical reserves | **21** | 19581 | 26968 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 11907 | 13929 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 850 | 850 |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 11057 | 13079 |
| Total | **39** | 11907 | 13929 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 9830 | 11639 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 1227 | 1441 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 11057 | 13079 |
| Net transfer out of fund / part of fund | **47** | | |
| Total distributed surplus (46+47) | **48** | 11057 | 13079 |
| Surplus carried forward | **49** | 850 | 850 |
| Total (48+49) | **59** | 11907 | 13929 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 100.00 | 100.00 |
| Current year - 1 | **62** | 100.00 | 100.00 |
| Current year - 2 | **63** | 100.00 | 100.00 |
| Current year - 3 | **64** | 100.00 | 100.00 |

**Form 58**

## Long-term insurance business : Distribution of surplus

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Alba With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 1308329 | 1569454 |
| Bonus payments in anticipation of a surplus | **12** | 16127 | 17130 |
| Transfer to non-technical account | **13** | 1893 | 1946 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 1326349 | 1588530 |
| Mathematical reserves | **21** | 1307407 | 1568999 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 18942 | 19531 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | | |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 18942 | 19531 |
| Total | **39** | 18942 | 19531 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 16127 | 17130 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 922 | 455 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 17049 | 17584 |
| Net transfer out of fund / part of fund | **47** | 1893 | 1946 |
| Total distributed surplus (46+47) | **48** | 18942 | 19531 |
| Surplus carried forward | **49** | | |
| Total (48+49) | **59** | 18942 | 19531 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 90.01 | 90.03 |
| Current year - 1 | **62** | 90.03 | 90.02 |
| Current year - 2 | **63** | 90.02 | 90.02 |
| Current year - 3 | **64** | 90.02 | 90.22 |

Form 58

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Phoenix With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 3504864 | 3990626 |
| Bonus payments in anticipation of a surplus | **12** | 169797 | 164399 |
| Transfer to non-technical account | **13** | 20757 | 18530 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 3695419 | 4173554 |
| Mathematical reserves | **21** | 3362238 | 3865508 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 333180 | 308047 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 110500 | 110500 |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 222680 | 197547 |
| Total | **39** | 333180 | 308047 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 169797 | 164399 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 32126 | 14618 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 201923 | 179017 |
| Net transfer out of fund / part of fund | **47** | 20757 | 18530 |
| Total distributed surplus (46+47) | **48** | 222680 | 197547 |
| Surplus carried forward | **49** | 110500 | 110500 |
| Total (48+49) | **59** | 333180 | 308047 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 90.68 | 90.62 |
| Current year - 1 | **62** | 90.62 | 90.57 |
| Current year - 2 | **63** | 90.57 | 90.92 |
| Current year - 3 | **64** | 90.92 | 90.78 |

**Form 58**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Scottish Mutual With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 2111755 | 2317963 |
| Bonus payments in anticipation of a surplus | **12** | 36197 | 52214 |
| Transfer to non-technical account | **13** | 1974 | 2084 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 2149926 | 2372261 |
| Mathematical reserves | **21** | 2109864 | 2316718 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 40062 | 55543 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | | |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 40062 | 55543 |
| Total | **39** | 40062 | 55543 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 36197 | 52214 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 1891 | 1245 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 38088 | 53459 |
| Net transfer out of fund / part of fund | **47** | 1974 | 2084 |
| Total distributed surplus (46+47) | **48** | 40062 | 55543 |
| Surplus carried forward | **49** | | |
| Total (48+49) | **59** | 40062 | 55543 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 95.07 | 96.25 |
| Current year - 1 | **62** | 96.25 | 95.95 |
| Current year - 2 | **63** | 95.95 | 96.20 |
| Current year - 3 | **64** | 96.20 | 95.16 |

Form 58

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SPI With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 1837105 | 2087372 |
| Bonus payments in anticipation of a surplus | **12** | 182217 | 85479 |
| Transfer to non-technical account | **13** | 19250 | 7190 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 2038572 | 2180041 |
| Mathematical reserves | **21** | 1717796 | 1948814 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 320776 | 231227 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 138559 | 145748 |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 182217 | 85479 |
| Total | **39** | 320776 | 231227 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 182217 | 85479 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 11350 | |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 193568 | 85479 |
| Net transfer out of fund / part of fund | **47** | 19250 | 7190 |
| Total distributed surplus (46+47) | **48** | 212817 | 92668 |
| Surplus carried forward | **49** | 107959 | 138559 |
| Total (48+49) | **59** | 320776 | 231227 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 90.95 | 92.24 |
| Current year - 1 | **62** | 92.24 | 94.72 |
| Current year - 2 | **63** | 94.72 | 93.81 |
| Current year - 3 | **64** | 93.81 | 92.62 |

**Form 58**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **SAL With-Profits Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 4325373 | 4858626 |
| Bonus payments in anticipation of a surplus | **12** | 32132 | 15481 |
| Transfer to non-technical account | **13** | 3707 | 1896 |
| Transfer to other funds / parts of funds | **14** | | |
| Subtotal (11 to 14) | **15** | 4361212 | 4876003 |
| Mathematical reserves | **21** | 4263018 | 4795623 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 98194 | 80380 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 60539 | 144180 |
| Transfer from non-technical account | **32** | | (47846) |
| Transfer from other funds / parts of fund | **33** | | (65795) |
| Surplus arising since the last valuation | **34** | 37655 | 49841 |
| Total | **39** | 98194 | 80380 |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | **41** | 32132 | 15481 |
| Cash bonuses | **42** | | |
| Reversionary bonuses | **43** | 1816 | 2465 |
| Other bonuses | **44** | | |
| Premium reductions | **45** | | |
| Total allocated to policyholders (41 to 45) | **46** | 33948 | 17945 |
| Net transfer out of fund / part of fund | **47** | 3707 | 1896 |
| Total distributed surplus (46+47) | **48** | 37655 | 19841 |
| Surplus carried forward | **49** | 60539 | 60539 |
| Total (48+49) | **59** | 98194 | 80380 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | 90.16 | 90.45 |
| Current year - 1 | **62** | 90.45 | 90.24 |
| Current year - 2 | **63** | 90.24 | |
| Current year - 3 | **64** | | |

**Form 58**

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Total business / subfund | **Non - Profit Fund** |
| Financial year ended | **31 December 2013** |
| Units | **£000** |

| | | Financial year<br>1 | Previous year<br>2 |
|---|---|---|---|
| **Valuation result** | | | |
| Fund carried forward | **11** | 15740686 | 15102585 |
| Bonus payments in anticipation of a surplus | **12** | | |
| Transfer to non-technical account | **13** | 223341 | 209881 |
| Transfer to other funds / parts of funds | **14** | | (75795) |
| Subtotal (11 to 14) | **15** | 15964026 | 15236671 |
| Mathematical reserves | **21** | 15690686 | 15052585 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | **29** | 273341 | 184086 |
| **Composition of surplus** | | | |
| Balance brought forward | **31** | 50000 | 50000 |
| Transfer from non-technical account | **32** | | |
| Transfer from other funds / parts of fund | **33** | | |
| Surplus arising since the last valuation | **34** | 223341 | 134086 |
| Total | **39** | 273341 | 184086 |
| **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** | 223341 | 134086 |
| Total distributed surplus (46+47) | **48** | 223341 | 134086 |
| Surplus carried forward | **49** | 50000 | 50000 |
| Total (48+49) | **59** | 273341 | 184086 |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | **61** | | |
| Current year - 1 | **62** | | |
| Current year - 2 | **63** | | |
| Current year - 3 | **64** | | |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Life Association of Scotland**

Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 15399 | 2056 | 0 | CWP | N | Sum assured plus bonuses |
| Endowment assurance | 25 | 24943 | 6328 | 0 | CWP | N | Sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | 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 | 91841 | 0 | 0 | CWP | N | Return of Premiums |
| 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 | 46804 | 0 | 0 | CWP | N | Return of Premiums |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Original insurer | **Life Association of Scotland** |
| Date of surrender value | **01 March 2014** |



| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 14337 | 3680 | 0 | CWP | N | Sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**
Original insurer **Britannia Life**
Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 15937 | 3384 | 0 | CWP | N | Sum assured plus bonuses |
| Endowment assurance | 25 | 26041 | 6835 | 0 | CWP | N | Sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | 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 | 74824 | 9791 | 0 | CWP | N | Return of Fund |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | 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 | 36108 | 5509 | 0 | CWP | N | Return of Fund |

**Form 59B**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Britannia Life**

Date of surrender value **01 March 2014**

| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 14003 | 4203 | 0 | CWP | N | Sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Crusader**

Date of maturity value / open market option **01 March 2014**

| 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 | 14765 | 2867 | 0 | CWP | N | Sum assured plus bonuses |
| Endowment assurance | 25 | 25553 | 7129 | 0 | CWP | N | Sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 20 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 20 | n/a | n/a | n/a | n/a | n/a | n/a |

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **Crusader**

Date of surrender value **01 March 2014**

| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 13902 | 5730 | 0 | CWP | N | Sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Britannic Assurance**

Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>8 |
|---|---|---|---|---|---|---|---|
| Endowment assurance | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 15 | 11969 | 3506 | 0 | CWP | N | Sum assured plus bonuses |
| Endowment assurance | 20 | 19330 | 3978 | 0 | CWP | N | Sum assured plus bonuses |
| Endowment assurance | 25 | 33578 | 9538 | 0 | CWP | N | Sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 15 | 52289 | 11396 | 0 | UWP | N | Return of Fund |
| Regular premium pension | 20 | 76103 | 17345 | 0 | UWP | N | Return of Fund |
| 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 | 15651 | 1804 | 0 | UWP | N | Return of Fund |
| Single premium pension | 20 | 30134 | 9969 | 0 | UWP | N | Return of Fund |

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **Britannic Assurance**

Date of surrender value **01 March 2014**

| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 14414 | 8785 | 0 | CWP | N | Sum assured plus bonuses |
| Endowment assurance | 20 | 18614 | 7238 | 0 | CWP | N | Sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

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

Name of insurer **Phoenix Life Limited**

Original insurer **Royal Life Insurance Limited**

Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>8 |
|---|---|---|---|---|---|---|---|
| Endowment assurance | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 15 | 11904 | 3461 | 0 | CWP | N | sum assured plus bonuses |
| Endowment assurance | 20 | 17982 | 5318 | 0 | CWP | N | sum assured plus bonuses |
| Endowment assurance | 25 | 30964 | 10857 | 0 | CWP | N | sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | 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 | 81932 | 20329 | 0 | UWP | N | max(unit value, cost of unit purchase) |
| 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 | 35934 | 8916 | 0 | UWP | N | max(unit value, cost of unit purchase) |

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

| | |
|---|---|
| Name of insurer | **Phoenix Life Limited** |
| Original insurer | **Royal Life Insurance Limited** |
| Date of surrender value | **01 March 2014** |

| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 12569 | 3655 | 0 | CWP | N | sum assured plus bonuses |
| Endowment assurance | 20 | 18423 | 5449 | 0 | CWP | N | sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Scottish Mutual Assurance Ltd**

Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 18954 | 6484 | n/a | CWP | No | sum assured plus bonuses |
| Endowment assurance | 25 | 33219 | 12566 | n/a | CWP | No | sum assured plus bonuses |
| 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 | UWP | No | n/a |
| Regular premium pension | 15 | 58754 | 20706 | n/a | UWP | No | return of fund |
| Regular premium pension | 20 | 96797 | 35958 | n/a | UWP | No | return of fund |
| 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 | UWP | No | n/a |
| Single premium pension | 15 | 20816 | 7386 | n/a | UWP | No | return of fund |
| Single premium pension | 20 | 40200 | 18941 | n/a | UWP | No | return of fund |

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **Scottish Mutual Assurance Ltd**

Date of surrender value **01 March 2014**

| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 18238 | 5521 | n/a | CWP | No | sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Scottish Provident Ltd**

Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>8 |
|---|---|---|---|---|---|---|---|
| Endowment assurance | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 15 | 14470 | 6563 | 0 | CWP | N | sum assured plus bonuses |
| Endowment assurance | 20 | 23926 | 9852 | 0 | CWP | N | sum assured plus bonuses |
| Endowment assurance | 25 | 34106 | 11815 | 0 | CWP | N | sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 15 | 57211 | 22518 | 0 | UWP | N | return of fund |
| Regular premium pension | 20 | 76856 | 0 | 0 | CWP | N | return of premiums with interest |
| 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 | 19505 | 1610 | 0 | UWP | N | return of fund |
| Single premium pension | 20 | 38404 | 0 | 0 | CWP | N | return of premiums with interest |

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **Scottish Provident Ltd**

Date of surrender value **01 March 2014**

| Category of with-profits policy<br>1 | Duration at surrender (years)<br>2 | Surrender value<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>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 | 13973 | 6337 | 0 | CWP | N | sum assured plus bonuses |
| Endowment assurance | 20 | 23711 | 9763 | 0 | CWP | N | sum assured plus bonuses |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Phoenix & London Assurance Limited**

Date of maturity value / open market option **01 March 2014**

| 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 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 25 | 24903 | 4221 | 0 | CWP | N | sum assured plus bonuses |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 15 | 39950 | 2613 | 0 | UWP | N | return of fund |
| Regular premium pension | 20 | 66859 | 0 | 0 | CWP | N | return of fund |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 15 | 13548 | 886 | 0 | UWP | N | return of fund |
| Single premium pension | 20 | 38948 | 0 | 0 | CWP | N | return of fund |

**Form 59B**

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

Name of insurer **Phoenix Life Limited**

Original insurer **Phoenix & London Assurance Limited**

Date of surrender value **01 March 2014**

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

**Form 59A**

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

Name of insurer **Phoenix Life Limited**

Original insurer **NPI Limited**

Date of maturity value / open market option **01 March 2014**

| Category of with-profits policy<br>1 | Original term (years)<br>2 | Maturity value / open market option<br>3 | Terminal bonus<br>4 | MVA<br>5 | CWP / UWP<br>6 | MVA permitted?<br>7 | Death benefit<br>8 |
|---|---|---|---|---|---|---|---|
| Endowment assurance | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 20 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 25 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 20 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 20 | n/a | n/a | n/a | n/a | n/a | n/a |

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **NPI Limited**

Date of surrender value **01 March 2014**

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

**Long-term insurance capital requirement**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2013**

Units **£000**

| | | LTICR factor<br>1 | Gross reserves / capital at risk<br>2 | Net reserves / capital at risk<br>3 | Reinsurance factor<br>4 | LTICR Financial year<br>5 | LTICR Previous year<br>6 |
|---|---|---|---|---|---|---|---|
| **Insurance death risk capital component** | | | | | | | |
| Life protection reinsurance | **11** | 0.0% | 4578443 | 4342244 | | | |
| Classes I (other), II and IX | **12** | 0.1% | 412573 | 275213 | | 318 | 73 |
| Classes I (other), II and IX | **13** | 0.15% | 104186 | 46245 | 0.77 | 121 | 152 |
| Classes I (other), II and IX | **14** | 0.3% | 16281141 | 12640466 | | 37690 | 41922 |
| Classes III, VII and VIII | **15** | 0.3% | 6537999 | 2407503 | 0.50 | 9807 | 17356 |
| **Total** | **16** | | 27914342 | 19711671 | | 47935 | 59503 |
| **Insurance health risk and life protection reinsurance capital component** | | | | | | | |
| Class IV supplementary classes 1 and 2 and life protection reinsurance | **21** | | | | | 8813 | 9590 |
| **Insurance expense risk capital component** | | | | | | | |
| Life protection and permanent health reinsurance | **31** | 0% | | | | | |
| Classes I (other), II and IX | **32** | 1% | 20388527 | 17616839 | 0.86 | 176168 | 218690 |
| Classes III, VII and VIII (investment risk) | **33** | 1% | 3625781 | 3546857 | 0.98 | 35469 | 36137 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | **34** | 1% | 1162390 | 1162389 | 1.00 | 11624 | 10936 |
| Classes III, VII and VIII (other) | **35** | 25% | | | | 12399 | 13213 |
| Class IV (other) | **36** | 1% | 289360 | 125662 | 0.85 | 2460 | 2921 |
| Class V | **37** | 1% | | | | | |
| Class VI | **38** | 1% | | | | | |
| **Total** | **39** | | | | | 238120 | 281897 |
| **Insurance market risk capital component** | | | | | | | |
| Life protection and permanent health reinsurance | **41** | 0% | 59529 | 59077 | | | |
| Classes I (other), II and IX | **42** | 3% | 20388527 | 17616839 | 0.86 | 528505 | 656070 |
| Classes III, VII and VIII (investment risk) | **43** | 3% | 3625781 | 3546857 | 0.98 | 106406 | 108410 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | **44** | 0% | 1162390 | 1162389 | | | |
| Classes III, VII and VIII (other) | **45** | 0% | 9213652 | 9213498 | | | |
| Class IV (other) | **46** | 3% | 289360 | 125662 | 0.85 | 7379 | 8763 |
| Class V | **47** | 0% | | | | | |
| Class VI | **48** | 3% | | | | | |
| **Total** | **49** | | 34739239 | 31724322 | | 642290 | 773243 |
| **Long term insurance capital requirement** | **51** | | | | | 937157 | 1124233 |

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**Phoenix Life Limited**

**Global Business**

**Financial year ended 31 December 2013**

**NOTES TO APPENDIX 9.1**

*0201* Section 148 waivers

(a) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in January 2009. The effect of the direction is to modify the provisions of GENPRU TP 4.2R allowing the firm to exclude the £200m 7.25% undated subordinated loan notes (issued by Scottish Mutual Assurance Limited and transferred to the firm following a Part VII transfer) from the calculation of its liabilities.

(b) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in January 2013. 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 certain assets taken in combination.

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

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

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Form 13 line 89 Total other than long term business assets | 773,937 | 1,058,346 |
| Form 13 line 89 Total long term business assets | 43,255,441 | 46,883,304 |
| Less Form 14 line 11 | (31,724,322) | (33,065,827) |
| Less Form 14 line 49 | (7,971,373) | (10,175,091) |
| Less Form 15 line 69 | (387,050) | (634,540) |
| Capital requirements of regulated related undertakings – Form 2 line 35 | 6,855 | 12,157 |
| Subordinated debt – Form 3 line 46 | 200,000 | 395,000 |
| Other – rounding | - | (1) |
| Total capital resources after deductions (Form 3 line 79) | 4,153,488 | 4,473,348 |

*0310* Valuation differences between the FSA Return and IFRS report and accounts

Net positive valuation differences represent:

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Valuation differences between mathematical reserves and IFRS technical provisions | 2,772,948 | 2,781,157 |
| Deferred income reserve | 25,574 | 30,286 |
| Valuation difference on subordinated debt | 11,386 | 12,604 |
| Deferred tax on VIF | 43,005 | 47,671 |
| Deferred tax | 36,645 | 7,765 |
| Financial reinsurance - ceded | 6,023 | 8,589 |
| Provision for adverse deviation | (6,107) | (6,557) |
| Loan to related ancillary services undertaking | (10,933) | - |
| Valuation difference on loans | (242) | - |
| Other | 871 | 1,672 |
| Net positive valuation differences (Form 3 line 14) | 2,879,169 | 2,883,187 |

**NOTES TO APPENDIX 9.1 (continued)**

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

| | 2013 |
|---|---|
| | £'000 |
| Profit and loss account and other reserves – Form 3 line 12 column 3 | 884,175 |
| Profit and loss account and other reserves – Form 3 line 12 column 4 | 942,503 |
| Movement | (58,328) |
| | |
| Explained by: | |
| Profit or loss retained for the financial year – Form 16 line 59 | 12,578 |
| Movement in Non-Profit fund IFRS retained earnings | (55,790) |
| Change in valuation of subsidiary undertakings | (8,609) |
| Amortisation of VIF | (18,827) |
| Amortisation of subordinated debt | 1,219 |
| Deferred tax on amortisation of VIF | 4,488 |
| Deferred tax | 6,613 |
| | (58,328) |

*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 shareholders' fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

*1305* & *1319* Counterparty limits

The investment guidelines operated by the insurer for:

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

are consistent with the limits as set out in INSPRU 2.1.22R for market risks and counterparty exposures unless the insurer decides in an individual case that a higher limit is appropriate. For certain asset classes the investment guidelines restrict counterparty exposure limits further, with the additional restriction potentially dependent on the credit rating of the counterparty. The exception to this is for loans to other companies within the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.

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

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**Phoenix Life Limited**

**Global Business**

**Financial year ended 31 December 2013**

**NOTES TO APPENDIX 9.1 (continued)**

*1308* Listed and unlisted securities

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Unlisted Investments valued in accordance with the rules in GENPRU 1.3 | 130,000 | 93,730 |
| Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable | 118,636 | 11,450 |
| Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13 | 354,705 | 323,662 |

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of the lines 41, 42, 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 £249,265,222.

*1318* Other asset adjustments

The entries at Form 13 line 101 are:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Total other than long term insurance business assets | - | (816) |
| Total long term insurance business assets | 48,156 | (9,060) |

The adjustment to long term insurance business assets is split by fund as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Non-Profit Fund | 48,156 | 31,868 |
| 100% With-Profits Fund | - | (3) |
| 90% With-Profits Fund | - | (372) |
| Britannic Industrial Branch Fund | - | (325) |
| Britannic With-Profits Fund | - | (11,143) |
| Alba With-Profits Fund | - | (4,956) |
| Phoenix With-Profits Fund | - | (5,729) |
| Scottish Mutual With-Profits Fund | - | (3,380) |
| SPI With-Profits Fund | - | (14,984) |
| SAL With-Profits Fund | - | (36) |
| Total long term insurance business assets | 48,156 | (9,060) |

**NOTES TO APPENDIX 9.1 (continued)**

The entry in Form Line 101 of the non-profit fund relates to:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Reclassification of liabilities within assets held to match linked liabilities | 49,447 | 66,854 |
| Other reclassifications of debtors and creditors | (1,291) | (34,986) |
| | 48,156 | 31,868 |

*1321* Entity Reconciliation to Statutory Accounts

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Form 13 line 102 Total long term insurance business assets | 46,571,713 | 53,773,400 |
| Form 13 line 102 Total other than long term insurance business assets | 1,078,292 | 1,333,210 |
| Entity adjustment in statutory accounts | (7,737) | 95,507 |
| Total IFRS Assets | 47,642,268 | 55,202,117 |

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

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

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

On 30 September 1999, the insurer entered into a refinancing arrangement with Santander UK plc ("Santander"). The insurer has originated a portfolio of residential property investments subject to life tenancies (reversions) against which it has sold Extra Income Plan annuity contracts. The insurer has sold 93% of "shared growth" reversions and entered into an arrangement whereby Santander will commit to acquire future "shared growth" reversions which the insurer originates on pre-agreed terms. As part of the arrangement, the insurer has undertaken to indemnify Santander against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. There is an interest charge of LIBOR plus 1.125% on capital used for the reversion purchases. The insurer will be liable for the first 7% of any losses arising from sales proceeds underperforming the movement of the regional Halifax house price indices. Losses in excess of 7%, together with any loss arising from the movement of the regional Halifax house price indices; will be borne by Santander. On 30 April 2002, Santander ceased to refinance new reversions.

The key assumptions used to calculate the reversion amounts were:

- Mortality: 80% IML92/IFL92 with CMI17 improvements together with a surrender assumption (50% increase) to allow for sale before death without immediate repurchase.

- Future specific house price inflation -0.52% p.a.

**NOTES TO APPENDIX 9.1 (continued)**

A provision for adverse mortality and specific house price inflation experience was calculated based on a cashflow projection assuming:

- Mortality: 100% IML92 with 100% average medium and long cohort improvements with a 1.5% floor (C2012); 100% IFL92 with 75% average medium and long cohort improvements with a 1.25% floor (C2012).
- Future specific house price inflation of -0.77% p.a. is assumed, this being 0.5% below the growth in the Halifax house price index (assumed to be -0.27% p.a.).
- A future LIBOR rate of 2.23% p.a. plus an additional 1.125% and a discount rate of 2.24% p.a. were assumed in calculating the provision.

The total provision was £5.3 million.

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

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

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

A provision of £0.8m has been established in respect of these investments. The calculation adjustment is applied considering the volatility in prices over the period it is expected to take to liquidate the particular asset class.

As at 31 December 2013, 88% of the investment assets were classified as investments that are traded using quoted market prices in active markets (level 1). An active market is characterised by regular market transactions in identical assets on an arm's length basis. This includes listed equities, listed debt securities and quoted unit trusts in active markets.

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

**NOTES TO APPENDIX 9.1 (continued)**

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

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

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

*1402* Liabilities

(a) There are no charges over assets.

(b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the long term insurance business.

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

(d) The insurer has no guarantees, indemnities or other contractual commitments other than those effected by the insurer in the ordinary course of its insurance business in respect of the existing or future liabilities of related companies.

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

*1404* Implicit provision for reasonably foreseeable adverse variations

Included within Form 14 Line 36 is an implicit provision of £15.3m as required by INSPRU 3.2.17R. Further details are disclosed in Appendix 9.29 (d).

**NOTES TO APPENDIX 9.1 (continued)**

*1405* Adjustments to Liabilities

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

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Valuation differences between mathematical reserves and IFRS technical provisions | 2,772,948 | 2,781,157 |
| Deferred income reserve | 25,574 | 30,286 |
| Reclassification of assets and liabilities | 48,156 | (9,060) |
| Deferred tax | 41,323 | 20,021 |
| Financial reinsurance - ceded | 6,023 | 8,589 |
| Provision for adverse deviation | (6,107) | (6,557) |
| Other adjustments | 887 | - |
| Total | 2,888,804 | 2,824,436 |

*1407* Capital support provided to With-Profits Funds

There is provision for the insurer's Non Profit or shareholder funds to provide financial assistance or support to any of the insurer's With-Profit Funds. At 31 December 2012, the Non Profit Fund provided support in the form of a loan of £55.1m to the Alba With-Profits Fund. At 31 December 2013 the support had been repaid in full.

*1412* Entity Reconciliation to Statutory Accounts

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Form 14 line 76 Total liabilities | (46,571,713) | (53,773,400) |
| Form 15 line 85 Total liabilities | (1,078,292) | (1,333,210) |
| Entity adjustment in statutory accounts | 7,737 | (95,507) |
| Total IFRS Liabilities | (47,642,268) | (55,202,117) |

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

*1502* Liabilities (other than long term insurance business)

(a) There are no charges over assets.

(b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the other than long term insurance business.

(c) There are no contingent liabilities.

(d) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.

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

**NOTES TO APPENDIX 9.1 (continued)**

*1507* Other adjustments

Other adjustments shown on Form 15 line 83 represent:

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Reclassification of debtors and creditors | - | (816) |
| Valuation difference on subordinated debt | 11,386 | 12,604 |
| Deferred tax on VIF | 38,439 | 42,928 |
| Total | 49,825 | 54,716 |

*1601* Basis of conversion of foreign currency

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

*1603* Other income and charges

The charge shown on Form 16 line 21 represents project costs in relation to the business transfer agreement with Guardian Financial Services Limited referred to in Note 4004.

*1604* Extraordinary profit

The profit shown on Form 16 line 41 represents the profit on the transfer under the Part VII scheme of the remaining balance of the shareholders' funds of NPI Limited ("NPIL"), following its de-authorisation in 2013, 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 28 March 2012.

*1700* Other than long term insurance business: Analysis of derivative assets

In respect of the Shareholder Fund Form 17 Analysis of derivative assets, all amounts required to be shown would be zero and this form has not been included in the Return.

**NOTES TO APPENDIX 9.1 (continued)**

*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** | **Liabilities** | **Net** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Long term Fund (excluding assets held to match linked liabilities) | 1,254,503 | 1,414,256 | (159,753) |
| Derivatives held to match linked liabilities | 67,051 | 43,783 | 23,268 |
| **Total** | **1,321,554** | **1,458,039** | **(136,485)** |

| **"Net" Exposure by counterparty** | | | |
|---|---|---|---|
| Exchange trade derivatives | 680 | 8,840 | (8,160) |
| Over the counter derivatives | 355,293 | 483,618 | (128,325) |
| | **355,973** | **492,458** | **(136,485)** |

| **Variation Margin** | **Received** | **Pledged** |
|---|---|---|
| On Exchange trade derivatives | 15,498 | 24,115 |
| On OTC derivatives | 363,223 | 499,759 |
| **Total** | **378,721** | **523,874** |

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

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

In respect of exchange traded derivatives, the insurer has a liability to repay "excess" variation margin received at the end of the financial year of £15m included within Form 13 Line 81.

On OTC derivatives, variation margin received in form of cash amounting to £328m 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 form of approved fixed interest securities amounts to £35m and is not reported as an asset in Form 13 or a liability in Form 14.

**NOTES TO APPENDIX 9.1 (continued)**

*1702* Contracts which have the effect of derivatives (long term business)

Contracts which have the effect of derivative contracts, were excluded from Form 17, but were included in Form 14 as follows:

Loan liabilities with a total value of £120m contain embedded derivatives and were included in Form 14 Line 36 (Amounts owed to credit institutions).

**NOTES TO APPENDIX 9.3**

*4000* Long-term insurance business: Revenue account

In respect of the NPI With-Profit Fund Form 40 Long-term insurance business: Revenue Account, all amounts required to be shown would be zero and this Form has not been included in the Return.

*4002* Other income and expenditure

Other Income shown on Form 40 line 15 is represented by the following in the NPF

| | 2013 | 2012 |
|---|---|---|
| | £'000 | £'000 |
| Annual management charges | 318 | 369 |
| Commission & Other | 1,069 | 226 |
| | 1,387 | 595 |

Other expenditure shown on Form 40 line 25 is represented by the following in the NPF

| | 2013 | 2012 |
|---|---|---|
| | £'000 | £'000 |
| Repayment of financing advance due to Hannover Re | 2,566 | 1,773 |
| Annual management charges payable | 17,828 | 14,572 |
| Change in deposits from reinsurers | - | 23,234 |
| | 20,394 | 39,579 |

*4004* Business transfers-in and Business transfers-out

Business transfer in are split by fund as follows:

| | Vesting annuities | Other | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Non-Profit Fund | 553,861 | - | 553,861 |
| 90% With-Profits Fund | - | - | - |
| Phoenix With-Profits Fund | 1 | - | 1 |
| Britannic With-Profits Fund | - | 4,673 | 4,673 |
| Alba With-Profits Fund | 13,159 | 4,451 | 17,610 |
| SMA With-Profits Fund | 1,843 | | 1,843 |
| SPI With-Profits Fund | - | - | - |
| SAL With-Profits Fund | 238 | - | 238 |
| | 569,102 | 9,124 | 578,226 |

**NOTES TO APPENDIX 9.3 (continued)**

Business transfers-out are split by fund as follows:

| | Vesting annuities £'000 | Other £'000 | Total £'000 |
|---|---|---|---|
| Non-Profit Fund | 177,146 | 50,739 | 227,885 |
| 90% With-Profits Fund | (100) | - | (100) |
| Phoenix With-Profits Fund | 93,392 | - | 93,392 |
| Britannic With-Profits Fund | 39,278 | 4,452 | 43,730 |
| Alba With-Profits Fund | 56,722 | 4,673 | 61,395 |
| 100% With-Profits Fund | - | - | - |
| SMA With-Profits Fund | 26,645 | - | 26,645 |
| SPI With-Profits Fund | 12,738 | - | 12,738 |
| SAL With-Profits Fund | 163,281 | - | 163,281 |
| | 569,102 | 59,864 | 628,966 |

The business transfers between the funds consist of £569m of vesting annuities and £9m of other internal fund transfers. 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. Inter fund transfers are excluded from the total Form 40.

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

As part of the transfer, the Company paid £51m consideration to Guardian in connection with the on-going servicing of the transferred policies. This amount is included as a business transfer out in Form 40 line 32.

*4006* Apportionment 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 Schemes.

*4008* Provision of management services

Arrangements were in force during the financial year for the provision of management services to the insurer by Pearl Group Management Services Limited ("PGMS"), PGMS (Ireland) Limited ("PGMSI"), Pearl Group Services Limited ("PGS") and Ignis Investment Services Limited.

Policy administration is outsourced to PGMS, PGMSI and PGS. PGMS has, in turn an agreement to sub contract some administration most significantly to Capita Life and Pensions Regulated Services Limited, HCL Insurance Services BPO Limited and Diligenta 2 Limited.

**NOTES TO APPENDIX 9.3 (continued)**

PGMSI has an agreement to subcontract administration to IFDS Percana International Managed Services Limited. Under the agreements with PGMS and PGMSI, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

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

PGS has an agreement to sub contact administration to Diligenta Limited.

Investment administration and custody services are primarily outsourced to HSBC Bank plc.

*4009* Material connected party transactions

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

During the year the insurer paid £163.7m (2012: £195.5m) to Pearl Group Management Services Limited, £10.4m (2012: £10.2m) to Pearl Group Services, £5.1m (2012: £4.9m) to Pearl Group Management Services Ireland and £58.0m (2012: £64.6m), to Ignis Investment Services Limited respectively in respect of services provided.

At 31 December 2013 there were £563.0m (2012: £546.4m) in loans made by the insurer to its holding company, Phoenix Life Holdings Limited ("PLH"). These loans are interest bearing and repayable on 31 December 2016 and 31 December 2017.

At 31 December 2013 there were £172.0m (2012: £160.5m) in loans to the insurer by its subsidiary company, Scottish Mutual International Holdings. These loans are interest bearing and repayable on 31 December 2016.

At 31 December 2013 there was a loan of £10.8m (2012: £12.8m) made to PGMS, which is repayable in annual instalments of £2m plus interest, with interest accruing on the outstanding balance at 6 month LIBOR + 125bps. During the year the Company received a settlement of capital of £2m.

The insurer had a loan facility from PLH, whereby support was provided where it was anticipated that the insurer had insufficient capital to meet the "Capital Test". The Capital Test requires there to be sufficient capital to meet both the Pillar I and Pillar II capital requirements. The loan was repayable at the insurer's discretion, giving at least 6 months notice to both the lender and the PRA, to the extent that the Capital Test was met. The amount available to the insurer under the subordinated loan agreement was limited to such amount as would cause the aggregate of the loan to equal no more than £280.0m. Interest was due under these loan agreements at LIBOR plus 2%. During 2013, the loan balance of £195.0m and accrued interest of £4.4m was repaid in full and the facility was cancelled.

On 31 March 2012, with effect from 1 January 2012, all of the long-term business and the majority of the shareholders' funds of NPI Limited ("NPIL") 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 approved by the High Court on 28 March 2012. On 17 October 2013, following the deauthorisation of NPIL to carry out long term business, the remaining shareholder funds of NPIL of £4.0m were transferred to the Company for £nil consideration.

**NOTES TO APPENDIX 9.3 (continued)**

*4401* Basis of valuation of assets

Investments and assets held to cover linked liabilities and listed securities are shown at bid market value. Properties are valued annually at open market value. Cash and deposits are shown as face value.

*4402* Unit linked derivative contracts

| | 2013<br>£'000 |
|---|---|
| Aggregate value of assets | 67,051 |
| Aggregate value of liabilities | 43,783 |

*4502* Other income and expenditure

Other expenditure of £7,110,504 shown on line 26 relates to professional and external management fees and expenses.

*4701* Number of new group schemes with no records at member level

There are no new group schemes.

*4702* Approximations used to apportion between product codes

No approximations have been made in apportioning new business between product codes.

*4800* Assets not held to match linked liabilities

The NPI With-Profits Fund has not produced a Form 48 as the business is wholly reinsured to Phoenix Life Assurance Limited (the former Pearl Assurance Limited), including associated expenses and charges, and therefore has no net assets.

*4801* 'Asset Share' philosophy

<u>90% With-Profits Fund</u>

The asset mix for significant asset share groups is shown in the table below

| Category of assets | Category | |
|---|---|---|
| | Ex-SLUK Business | Ex-BULA Business |
| Land and Buildings | 7.20% | 4.80% |
| Approved Fixed Interest | 36.27% | 46.17% |
| Other Fixed Interest | 18.73% | 23.83% |
| Variable interest securities | 0.00% | 0.00% |
| UK listed equity shares | 16.96% | 11.31% |
| Non UK listed equity shares | 20.84% | 13.89% |
| Unlisted equity shares | 0.00% | 0.00% |
| Other assets | 0.00% | 0.00% |
| Total | 100.00% | 100.00% |

**NOTES TO APPENDIX 9.3 (continued)**

100% With-Profits Fund

The asset mix for significant asset share groups is shown in the table below

| Category of assets | Category | |
|---|---|---|
| | Ex-Phoenix Business | Ex-SLUK Business |
| Land and Buildings | 7.20% | 7.20% |
| Approved Fixed Interest | 34.65% | 34.65% |
| Other Fixed Interest | 20.01% | 20.01% |
| Variable interest securities | 0.35% | 0.35% |
| UK listed equity shares | 16.86% | 16.86% |
| Non UK listed equity shares | 20.94% | 20.94% |
| Unlisted equity shares | 0.00% | 0.00% |
| Other assets | 0.00% | 0.00% |
| Total | 100.00% | 100.00% |

Alba With-Profits Fund

| Category of assets | Category | |
|---|---|---|
| | 75% / 25% | 100% / 0% |
| Land and Buildings | 20.00% | 0.00% |
| Approved Fixed Interest | 34.32% | 42.90% |
| Other Fixed Interest | 31.15% | 38.94% |
| Variable interest securities | 14.53% | 18.16% |
| UK listed equity shares | 0.00% | 0.00% |
| Non UK listed equity shares | 0.00% | 0.00% |
| Unlisted equity shares | 0.00% | 0.00% |
| Other assets | 0.00% | 0.00% |
| Total | 100.00% | 100.00% |

The asset mix for significant asset share groups is shown in the table above.

The 75% / 25% category includes traditional with profits life and former BLL series B pensions business and unitised with profits policies.

The 100% / 0% category includes traditional with profits pensions business other former BLL series B.
Different asset mixes are held for other non significant asset share groups

**NOTES TO APPENDIX 9.3 (continued)**

Britannic With-Profits Fund and Britannic Industrial Branch Fund

The asset mix for significant asset share groups is shown in the table below.

| | Category | |
|---|---|---|
| **Category of assets** | BWP | BIB |
| Land and Buildings | 7.35% | 4.80% |
| Approved Fixed Interest | 28.14% | 34.94% |
| Other Fixed Interest | 14.08% | 21.41% |
| Variable interest securities | 0.20% | 2.84% |
| UK listed equity shares | 16.29% | 12.10% |
| Non UK listed equity shares | 21.03% | 16.04% |
| Unlisted equity shares | 0.47% | 0.07% |
| Other assets | 12.44% | 7.81% |
| Total | 100.00% | 100.00% |

The BWP category refers to sterling denominated business in the Britannic With Profits Fund. A different asset mix is held for the euro denominated business, but this is not a significant group.
A different asset mix is held for the former Century Life business, but this is not a significant group

The BIB category refers to business in the Industrial Branch Fund. The same asset mix is used for all asset share groups.

Phoenix With-Profits Fund

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

SAL With-Profits Fund

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

Scottish Mutual With-Profits Fund

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

SPI With-Profits Fund

It is the insurer’s usual practice to restrict Irish with-profit policyholders’ participation in any established surplus to that arising from the Irish With-Profit Fund (i.e. the Irish component of the SPI Fund).

**NOTES TO APPENDIX 9.3 (continued)**

The asset share philosophy for business written in the Irish With-Profit Fund assumes the following asset mix

| Category of assets | Category<br>UK Business |
|---|---|
| Land and Buildings | 6.73% |
| Approved Fixed Interest | 31.88% |
| Other Fixed Interest | 19.20% |
| Variable interest securities | 0.00% |
| UK listed equity shares | 15.40% |
| Non UK listed equity shares | 19.90% |
| Unlisted equity shares | 0.00% |
| Other assets | 6.89% |
| Total | 100.00% |

*4802* Treatment of expected income from defaulted assets

<u>All funds</u>

There are no securities where payment of interest is in default apart from securities which are themselves in default. Securities held with the following counterparties were in default at the valuation date: Washington Mutual, Lambay Capital, Cattles, Pinton Estates and Hellas Communication. A total market value of £3.1m is allowed for these securities in respect of £48.7m nominal holdings across the whole of Phoenix Life Limited.

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

<u>Non Profit Fund</u>

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £642.1m |
| Intermediate maturity date | £106.9m |
| Latest maturity date | £44.8m |
| Total Optional maturity date | £793.8m |

<u>90% With-Profits Fund</u>

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £3.1m |
| Intermediate maturity date | £0.4m |
| Latest maturity date | £2.3m |
| Total Optional maturity date | £5.8m |

**NOTES TO APPENDIX 9.3 (continued)**

100% With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £2.2m |
| Intermediate maturity date | £0.3m |
| Latest maturity date | £0.3m |
| Total Optional maturity date | £2.8m |

Alba With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £56.7m |
| Intermediate maturity date | £7.0m |
| Latest maturity date | £8.5m |
| Total Optional maturity date | £72.2m |

Britannic Industrial Branch Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £8.9m |
| Intermediate maturity date | £1.1m |
| Latest maturity date | £2.7m |
| Total Optional maturity date | £12.7m |

Britannic With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £91.5m |
| Intermediate maturity date | £11.4m |
| Latest maturity date | £17.7m |
| Total Optional maturity date | £120.6m |

Phoenix With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £121.0m |
| Intermediate maturity date | £15.1m |
| Latest maturity date | £42.4m |
| Total Optional maturity date | £178.5m |

**NOTES TO APPENDIX 9.3 (continued)**

SAL With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £217.1m |
| Intermediate maturity date | £27.8m |
| Latest maturity date | £67.9m |
| Total Optional maturity date | £312.8m |

Scottish Mutual With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £44.8m |
| Intermediate maturity date | £5.6m |
| Latest maturity date | £5.1m |
| Total Optional maturity date | £55.5m |

SPI With-Profits Fund

For variable redemption date securities, the redemption date used depends on the yield of the security compared to the average yield on non-variable securities of similar duration and rating. The market values are as follows:

| | |
|---|---|
| Earliest maturity date | £38.6m |
| Intermediate maturity date | £4.5m |
| Latest maturity date | £5.0m |
| Total Optional maturity date | £48.1m |

*4806* Assets used to calculate investment returns in lines 21-29 column 5

90% Fund

The returns shown in lines 21-28 column 5 are the returns on assets backing Ex-Swiss business as this is the largest portfolio of with-profits business within the 90% fund.

The overall return attributable to this line of business is the return in line 29, which is based on the allocation of assets specific to Ordinary Branch Life business. The investment returns attributable to other portfolios of business within the 90% fund are based on alternative asset allocations specific to each portfolio of business.

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

The returns shown in line 32 and 33 relate to the largest asset share grouping.

**NOTES TO APPENDIX 9.3 (continued)**

100% Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

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

The returns shown in line 32 and 33 relate to the ex-Phoenix conventional business.

Alba With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

The returns shown in line 32 and 33 relate to the largest asset share grouping.

Britannic Industrial Branch Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

Britannic With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to Ordinary Branch With Profits sterling denominated asset shares are derived. There is a further portfolio of assets from which the returns credited to euro denominated asset shares are derived.

The returns shown in lines 32 and 33 relate to the Ordinary Branch With Profits sterling denominated asset share grouping which is the largest.

Phoenix With-Profits Fund

The asset mix underlying an individual policy asset shares varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate.

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

**NOTES TO APPENDIX 9.3 (continued)**

The assets (with market value as at the start of the valuation period) used to calculate investment returns shown in lines 21-29 are:

| Asset Type | Market Value (£m) |
|---|---|
| Land and buildings | 155.5 |
| Approved fixed interest securities | 1601.8 |
| Other fixed interest securities | 900.0 |
| Variable interest securities | 0.0 |
| UK listed equity shares | 345.2 |
| Non-UK listed equity shares | 444.1 |
| Other assets | 122.5 |

SAL With-Profits Fund

The asset mix underlying an individual policy asset shares varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate.

The assets (with market value as at the start of the valuation period) used to calculate investment returns shown in lines 21-29 are:

| Asset Type | Market Value (£m) |
|---|---|
| Land and buildings | 123.0 |
| Approved fixed interest securities | 2067.0 |
| Other fixed interest securities | 847.4 |
| Variable interest securities | 0.0 |
| UK listed equity shares | 378.2 |
| Non-UK listed equity shares | 471.3 |
| Other assets | 50.8 |

Scottish Mutual With Profits Fund

The investment returns in lines 21-29 of column 5 were calculated using the SMA WPSF GBP assets.

SPI With-Profits Fund

The investment returns in lines 21 to 29 of column 5 of the SPI Fund were calculated using the UK With-Profits Fund assets.

*4807* Non Linked Assets

Phoenix With-Profits Fund

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

**NOTES TO APPENDIX 9.3 (continued)**

*4808* Non Linked Assets

All funds

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

*4809* Non Linked Assets

All Funds

The entry in Line 33 column 5 is after tax.

*4901* Rating agency used for split by credit rating

All funds

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

*4902* Fixed Interest Assets

All funds

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

*5001* Internal Reassurances

There are some reinsurance arrangements between Non-Profits and With-Profits funds within the Company which are disclosed only in the “Reassurer” fund.

*5101* Number of group schemes without records at member level

| Product Code | Number of Group Schemes |
|---|---|
| 320 | 32 |
| 390 | 20 |
| 410 | 10 |
| 420 | 1 |
| 435 | 7 |

*5103* Miscellaneous Products

Britannic With-Profits Fund

The miscellaneous item for UK Pensions Gross Insurance Business is reinsurance accepted on guaranteed annuity options

**NOTES TO APPENDIX 9.3 (continued)**

Phoenix With-Profits Fund

Gross reserves for product code 435 Miscellaneous non-profit – Late Retirement of £53.1m in UK Pension / Gross and £12.2m in Overseas / Gross relates to pensions products where the policyholder has passed their retirement age and not taken their retirement benefits.

SAL With-Profits Fund

Gross reserves for product code 435 Miscellaneous non-profit – Late Retirement of £123.5m in UK Pension / Gross products where the policyholder has passed their retirement age and not taken their retirement benefits.

*5201* Number of group schemes without records at member level

| Product Code | Number of Group Schemes |
|---|---|
| 555 | 36 |
| 571 | 41 |

*5301* Number of group schemes without records at member level

| Product Code | Number of Group Schemes |
|---|---|
| 735 | 5 |
| 750 | 12 |
| 755 | 449 |
| 765 | 3 |

*5303* Miscellaneous Products

Code 795 (miscellaneous property linked) includes a significant amount of UK Life Non-Profit Assurance business.

*5403* Miscellaneous Products

Code 910 (miscellaneous index-linked) includes a significant number of index-linked endowment, term assurance and income protection policies which do not fit into any other product code.

*5700* Analysis of Valuation Interest Rates

The 100% With-Profits Fund and 90% With-Profits fund has not produced a Form 57 as the mathematical reserves for non-linked business does not exceed £100m.

*5701* Negative Mathematical Reserve Offsets

Non Profit Fund

UK Pension F53 Non unit reserves codes 725-770

These have been combined as a single line entry in Form 57. Within this grouping of product codes, Income drawdown property linked (product code 750) has negative net reserves of £(1.974)m. All other product codes in this group have positive net mathematical reserves.

**NOTES TO APPENDIX 9.3 (continued)**

*5702* Waiver

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in January 2013. 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 certain assets taken in combination.

*5703* Business for which Waiver Applies

Alba With-Profits Fund

For 2013, this waiver was applied to the material blocks of Non-Profit UK immediate and UK deferred annuity business in the fund. This comprises £402.5m of liabilities shown in the product group UK Pens NP Form 51 Immediate Annuities and £56.6m of liabilities shown in the product group UK Pens NP Form 51 Single Premium Assurances and Deferred Annuities. There are less material deferred annuity related liabilities to which the waiver is not applied.

Phoenix With-Profits Fund

For 2013, this waiver was applied to the material blocks of UK immediate and UK deferred annuity business in the fund. This comprises £700.8m of liabilities shown in the product group UK Pensions NP Form 51 Annuities in Payment and £330.8m of liabilities shown in the product group UK Pensions NP Form 51 Deferred Annuity. There are less material deferred annuity related liabilities to which the waiver is not applied. The waiver has not been applied to index-linked annuities in the fund for this valuation. If it were applied the effect would be to increase the risk-adjusted yield on the backing assets by 96bps.

SAL With-Profits Fund

For 2013, this waiver was applied to the material blocks of UK annuity business in the fund. This comprises £929.7m of liabilities shown in the product group UK Pensions NP Form 51 Annuities in Payment and £450.5m of liabilities shown in the product group UK Pensions NP

Form 51 Deferred Annuity. There are less material annuity related liabilities to which the waiver is not applied.

Non Profit Fund

For 2013, this waiver was applied to all material blocks of UK immediate, UK deferred annuity and Overseas business in the fund.

For PLL annuities excluding NPI branded annuities, this comprises £2,681m of liabilities shown in the product group UK Pension F51 Annuity codes 400-405 (3.47%), £505m of liabilities shown in the product group UK F51 Deferred Annuity codes 315-390 (3.50%), £7m of liabilities shown in the product group UK Pension F54 Annuity Index Linked code 905 (3.55%), £342m of liabilities shown in the product group Overseas F51 Annuity codes 395-400 (2.46%) and £3m of liabilities shown in the product group Overseas F51 codes 300-390, 410, 435 (2.46%).

For the NPI branded annuities in PLL, this comprises £29m of liabilities shown in the product group UK L&GA F51 Annuity codes 395-400 (3.55%), £87m of liabilities shown in the product group UK Pension F51 Annuity codes 395-400 (3.55%), and £5m of liabilities shown in the product group UK F51 Deferred Annuity code 390 (3.55%).

**NOTES TO APPENDIX 9.3 (continued)**

There are less material annuity related liabilities to which the waiver is not applied.

*5704* Effect of Waiver

Alba With-Profits Fund

In accordance with the direction above, the risk adjusted yield in the UK Pensions NP Form 51 Immediate Annuities and UK Pensions NP Form 51 Single Premium Assurances and Deferred Annuities product groups as shown in Form 57 Column 5 is derived as follows:-

| | | |
|---|---|---|
| **Deferred annuity** | Risk-adjusted GRY | 3.57% |
| | IRR adjustment | 0.04% |
| | Risk-adjusted IRR | 3.60% |
| **Immediate annuity** | Risk-adjusted GRY | 3.39% |
| | IRR adjustment | 0.14% |
| | Risk-adjusted IRR | 3.53% |

Phoenix With-Profits Fund

In accordance with the direction above, the risk adjusted yield in the UK Pensions NP Form 51 Annuities in Payment and UK Pensions NP Form 51 Deferred Annuity product groups as shown in Form 57 Column 5 is derived as follows:-

| | | |
|---|---|---|
| **Deferred annuity** | Risk-adjusted GRY | 2.31% |
| | IRR adjustment | 1.17% |
| | Risk-adjusted IRR | 3.49% |
| **Immediate annuity** | Risk-adjusted GRY | 3.17% |
| | IRR adjustment | 0.35% |
| | Risk-adjusted IRR | 3.52% |

The waiver has not been applied to index-linked annuities in the fund for this valuation. However a check has been done to show that the internal rate of return for this business is higher than the risk-adjusted yield.

SAL With-Profits Fund

In accordance with the direction above, the risk adjusted yield in the UK Pensions NP Form 51 Annuities in Payment and UK Pensions NP Form 51 Deferred Annuity product groups as shown in Form 57 Column 5 is derived as follows:-

| | | |
|---|---|---|
| **Deferred annuity** | Risk-adjusted GRY | 2.22% |
| | IRR adjustment | 0.98% |
| | Risk-adjusted IRR | 3.20% |
| **Immediate annuity** | Risk-adjusted GRY | 1.81% |
| | IRR adjustment | 1.17% |
| | Risk-adjusted IRR | 2.98% |

**NOTES TO APPENDIX 9.3 (continued)**

Non Profit Fund

In accordance with the direction above, the risk adjusted yield in the UK Deferred annuity, UK Pension Annuity and Overseas product groups, as shown in Form 57 Column 5, is derived as follows:-

PLL Annuity Fund excluding NPI branded annuities

| | | |
|---|---|---|
| **Deferred annuity** | Risk-adjusted GRY | 2.96% |
| | IRR adjustment | 0.63% |
| | Risk-adjusted IRR | 3.59% |
| **Immediate annuity** | Risk-adjusted GRY | 3.14% |
| | IRR adjustment | 0.42% |
| | Risk-adjusted IRR | 3.56% |
| **Overseas annuity** | Risk-adjusted GRY | 2.56% |
| | IRR adjustment | -0.03% |
| | Risk-adjusted IRR | 2.52% |
| **Index-linked annuity** | Risk-adjusted GRY | 3.32% |
| | IRR adjustment | 0.32% |
| | Risk-adjusted IRR | 3.64% |

NPI branded annuities in PLL Annuity Fund

| | | |
|---|---|---|
| **Immediate Annuity** | Risk-adjusted GRY | 3.75% |
| | IRR adjustment | 0.03% |
| | Risk-adjusted IRR | 3.78% |
| **Index Linked Annuity** | Risk-adjusted GRY | 3.55% |
| | IRR adjustment | 0.01% |
| | Risk-adjusted IRR | 3.56% |

*5800* Long-term insurance business: Distribution of surplus

In respect of the NPI With-Profit Fund Form 58 Long-term insurance business: Distribution of surplus, all amounts required to be shown would be zero and this form has not been included in the Return.

*5801* Interim, mortuary or terminal bonuses determined in advance of a valuation

The amounts shown in line 12 and again in line 41, being bonus payments made to policyholders in anticipation of a surplus, are for final and interim bonuses on claims made during the year and for annual bonus, declared investment returns declared in advance.

*5802* Transfer from non-technical account

Summary

Line 13 represents the transfers of the shareholders share of With-Profits bonuses of £65,106k and the transfer of the Non-Profit fund surplus of £223,341k.

**NOTES TO APPENDIX 9.3 (continued)**

SPI With-Profits Fund

Amounts shown line 12 have been increased by £70.2m in respect of under-reporting of final bonus payments made to policyholders in previous years. This gives rise to a corresponding prior year adjustment to increase the amount transferred to shareholders, for which £7.8m has been transferred from the fund in 2013 and included within line 13. The percentage in line 61 excluding the effect of these adjustments is 91.51%.

*5900* With-profits payouts on maturity and surrender

There are no entries in either Form 59A or 59B for business originating in NPI Limited because no policies exist at the durations required by the Forms.

(a) Investment Guidelines

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

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

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

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

Investment decisions referred to in (ii) above do involve the use of such derivatives to hedge the funds against interest rate and other market movements. For instance the insurer holds payer swaptions where the fixed rate is as high as 11.1% p.a. However, changes in the value of these options arising from changes in market interest rate expectations provides a hedge against movements in the cost of guarantees attaching to certain policies.

(c) There are payer swaptions where the fixed rate equals or exceeds 8% p.a. with an aggregate nominal of £31.1m in the Phoenix With-Profits sub-fund and £144.8m in the SAL With-Profits sub-fund.

(d) A quasi derivative is embedded in the amounts due to credit institutions related to the refinancing of residential property investments described in detail in note 1401.

Provisions have been recognised of:

| | |
|---|---|
| Mortality risk | £9.6m |
| Specific house price risk | £5.6m |
| Provision for reasonably foreseeable adverse variation | £5.3m |

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

**Returns under the Accounts and Statements Rules**

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

**Phoenix Life Limited**

**Global Business**

**Financial year ended 31 December 2013**

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

a) Pearl Life Holdings Limited;
b) Impala Holdings Limited;
c) Pearl Group Holdings (No. 2) Limited;
d) Phoenix Life Holdings Limited;
e) PGH (LCA) Limited;
f) PGH (LCB) Limited;
g) PGH (LC1) Limited;
h) PGH (LC2) Limited;
i) PGH (MC1) Limited;
j) PGH (MC2) Limited;
k) PGH (TC1) Limited;
l) PGH (TC2) Limited;
m) Phoenix Group Holdings;
n) Jambright Limited [#];
o) TDR Capital Nominees Limited [#]; and
p) TDR Capital LLP [#]

[#] ceased to be a controller of the insurer on 10 December 2013

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

1. **Pearl Life Holdings Limited**

As at 31 December 2013, Pearl Life Holdings Limited held 100% of the issued share capital of Phoenix Life 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 Limited.

2. **Impala Holdings Limited**

As at 31 December 2013, Impala Holdings Limited held 100% of the issued share capital of Pearl Life Holdings Limited, a company of which Phoenix Life 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 Life Holdings Limited.

3. **Pearl Group Holdings (No. 2) Limited**

As at 31 December 2013, Pearl Group Holdings (No. 2) Limited held 75% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 75% of the voting power at any general meeting of Impala Holdings Limited.

**Returns under the Accounts and Statements Rules**

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

**Phoenix Life Limited**

**Global Business**

**Financial year ended 31 December 2013**

(continued)

**4. Phoenix Life Holdings Limited**

As at 31 December 2013, Phoenix Life Holdings Limited held 100% of the issued share capital of Pearl Group Holdings (No. 2) Limited, a company of which Phoenix Life 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.

**5. PGH (LCA) Limited**

As at 31 December 2013, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life 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.

**6. PGH (LCB) Limited**

As at 31 December 2013, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life 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.

**7. PGH (LC1) Limited**

As at 31 December 2013, PGH (LC1) Limited held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 12.5% of the voting power at any general meeting of Impala Holdings Limited.

**8. PGH (LC2) Limited**

As at 31 December 2013, PGH (LC2) Limited held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 12.5% of the voting power at any general meeting of Impala Holdings Limited.

**9. PGH (MC1) Limited**

As at 31 December 2013, PGH (MC1) Limited held 100% of the issued share capital of PGH (LC1) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (MC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

(continued)

**10. PGH (MC2) Limited**

As at 31 December 2013, PGH (MC2) Limited held 100% of the issued share capital of PGH (LC2) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (MC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

**11. PGH (TC1) Limited**

As at 31 December 2013, PGH (TC1) Limited held 100% of the issued share capital of PGH (MC1) Limited which in turn held 100% of the issued share capital of PGH (LC1) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (TC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

**12. PGH (TC2) Limited**

As at 31 December 2013, PGH (TC2) Limited held 100% of the issued share capital of PGH (MC2) Limited which in turn held 100% of the issued share capital of PGH (LC2) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (TC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

**13. Phoenix Group Holdings**

As at 31 December 2013, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited, PGH (LCB) Limited, PGH (TC1) Limited and PGH (TC2) Limited, which between them indirectly held 100% of the ordinary shares of Impala Holdings Limited, a company of which Phoenix Life 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 Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

**14. Jambright Limited**

As at 31 December 2013, 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 0.93% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Jambright Limited was entitled to exercise 0.93% of the voting power at any general meeting of Phoenix Group Holdings.

(continued)

**15. TDR Capital Nominees Limited**

As at 31 December 2013, 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 5.27% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Limited is a subsidiary undertaking.

In addition, to the knowledge of the insurer, as at 31 December 2013, 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 0.93% interest in the issued share capital of Phoenix Group Holdings held by Jambright Limited.

On this basis, as at 31 December 2013, TDR Capital Nominees Limited's overall interest in the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Limited is a subsidiary undertaking, amounted to 6%.

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, 6% of the voting power at any general meeting of Phoenix Group Holdings.

**16. TDR Capital LLP**

As at 31 December 2013, 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 6% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life 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 6% of the voting power at any general meeting of Phoenix Group Holdings.

# APPENDIX 9.4

# PHOENIX LIFE LIMITED

# Abstract of Valuation Report

## 1. INTRODUCTION

### (1) Valuation Date

The valuation relates to 31 December 2013.

### (2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2012.

### (3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2012.

## 2. PRODUCT RANGE

In the remainder of this Appendix and Appendix 9.4A, the products are identified by their current fund and / or their originating fund as defined above or, in respect of products that were already in PLL, by their originating company prior to **either:**

- the 2005 fund merger (see the Company's 2005 FSA Returns):

  "PAL" Phoenix Assurance Limited
  "SLUK" Swiss Life (UK) Plc
  "Bradford" Bradford Insurance Company Limited

- **or** the 2006 fund merger (see the Company's 2006 FSA Returns):

  "Alba" Alba Life Limited
  "BA" Britannic Assurance plc
  "BRS" Britannic Retirement Solutions Limited
  "BULA" Britannic Unit Linked Assurance Limited
  "Century" Century Life plc
  "PLP" Phoenix Life & Pensions Limited

- **or** the 2009 fund merger (see the Company's 2009 FSA Returns):

  "SMA" Scottish Mutual Assurance Limited
  "SPL" Scottish Provident Limited

- **or** the 2011 transfer of all the business within the long term fund of Phoenix and London Assurance (see the Company's 2011 FSA Returns)

- **or** the 2012 transfer of all the business within the long term fund of NPIL and the annuities that were reassured by NPLL to NPIL (see the Company's 2012 FSA Returns)

For other products transferred into PLL that had been transferred previously, the descriptions previously used in the transferor's returns are still used.

The 100% With-Profits Fund previously accepted reinsurance of unitised with-profits group pensions business from Phoenix & London Assurance Limited. This reinsurance has been recaptured as at 31 December 2008. The 100% With-Profits Fund also previously accepted reinsurance of the with-profits units of ex-SLUK unitised pensions from the Non Profit Fund. Under the 2008 funds merger, reinsurance of these units has transferred from the 100% With-Profits Fund to the 90% With-Profits Fund.

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

| FUND | STATUS |
|---|---|
| Alba With-Profits Fund | (d) closed to new business except by increment |
| Britannic Industrial Branch Fund | (d) closed to new business except by increment |
| Britannic With-Profits Fund | (d) closed to new business except by increment |
| NPI With-Profits Fund | (d) closed to new business except by increment |
| Phoenix With-Profits Fund | (d) closed to new business except by increment |
| 90% With-Profits Fund | (d) closed to new business except by increment |
| 100% With-Profits Fund | (d) closed to new business except by increment |
| SAL With-Profits Fund | (d) closed to new business except by increment |
| Scottish Mutual With-Profits Fund | (d) closed to new business except by increment |
| SPI With-Profits Fund | (d) closed to new business except by increment |

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

# Alba With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

During 2013, market value reductions were applied to accumulating with-profits business as described below.

(a) Unitised with-profits business

Final bonus and market value reductions as a percentage of unit allocations by calendar year of purchase are shown in the tables below. Market value reductions (negative final bonuses) do not apply on maturity or death and the overall final bonus is subject to an overall minimum of nil, and the minimum payout is the face value of the units. For all other claims, the overall final bonus can be negative and a market value reduction of that amount will have been applied to the face value of the units.

Applicable 1 January 2013 to 30 June 2013

| Calendar year of purchase of units | Old LASIA business (Life company 2) | | | New BL business (Life company 4) | |
|---|---|---|---|---|---|
| | Life | Pensions gtd 4% fund 18 | Pensions gtd nil fund 19 | Life | Pensions |
| <=1992 | | 6.0% | 55.5% | | |
| 1993 | 26.0% | 6.0% | 44.0% | 43.0% | 64.5% |
| 1994 | 30.5% | 9.5% | 50.0% | 47.5% | 70.5% |
| 1995 | 39.5% | 16.0% | 60.5% | 56.5% | 81.0% |
| 1996 | 35.0% | 10.5% | 53.5% | 50.5% | 72.0% |
| 1997 | 31.0% | 5.0% | 47.0% | 45.0% | 63.5% |
| 1998 | 24.0% | -2.5% | 37.0% | 36.5% | 51.5% |
| 1999 | 16.5% | -10.5% | 26.5% | 28.0% | 39.5% |
| 2000 | 15.5% | -12.0% | 24.5% | 26.0% | 36.5% |
| 2001 | 21.0% | -7.5% | 32.0% | 31.5% | 44.0% |
| 2002 | 33.5% | 3.0% | 48.0% | 39.0% | 54.5% |
| 2003 | 39.5% | 9.5% | 55.5% | 41.0% | 57.5% |
| 2004 | 36.5% | 9.5% | 50.0% | 35.5% | 49.0% |
| 2005 | 32.5% | 8.0% | 43.0% | 27.0% | 37.5% |
| 2006 | 26.5% | 5.5% | 34.5% | 21.5% | 29.5% |
| 2007 | 25.5% | 8.5% | 33.0% | 20.5% | 27.5% |
| 2008 | 25.0% | 12.0% | 32.5% | 21.0% | 28.0% |
| 2009 | 23.0% | 13.5% | 30.0% | 19.0% | 25.5% |
| 2010 | 19.0% | 12.0% | 23.5% | 13.5% | 18.0% |
| 2011 | 12.0% | 7.5% | 14.0% | 6.5% | 9.0% |
| 2012 | 4.5% | 2.0% | 5.0% | 1.5% | 2.5% |
| 2013 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Applicable 1 July 2013 to 31 December 2013

| Calendar year of purchase of units | Old LASIA business (Life company 2) | | | New BL business (Life company 4) | |
|---|---|---|---|---|---|
| | Life | Pensions Fund 18 | Pensions Fund 19 | Life | Pensions |
| <=1992 | | 5.0% | 56.0% | | |
| 1993 | 26.0% | 4.5% | 44.5% | 44.0% | 67.0% |
| 1994 | 30.5% | 8.0% | 50.5% | 48.5% | 73.0% |
| 1995 | 39.0% | 14.5% | 61.0% | 57.5% | 84.0% |
| 1996 | 34.5% | 8.5% | 54.0% | 51.5% | 74.5% |
| 1997 | 30.5% | 3.5% | 47.5% | 46.5% | 66.0% |
| 1998 | 23.5% | -4.0% | 37.5% | 38.0% | 53.5% |
| 1999 | 16.5% | -11.5% | 27.0% | 29.0% | 41.5% |
| 2000 | 15.0% | -13.5% | 25.0% | 27.0% | 38.5% |
| 2001 | 20.5% | -9.0% | 32.5% | 32.5% | 46.0% |
| 2002 | 33.0% | 1.5% | 48.5% | 40.5% | 57.0% |
| 2003 | 39.5% | 8.0% | 56.0% | 42.5% | 59.5% |
| 2004 | 36.0% | 8.0% | 50.5% | 36.5% | 51.5% |
| 2005 | 32.0% | 6.5% | 43.5% | 28.5% | 39.5% |
| 2006 | 26.0% | 4.0% | 35.0% | 22.5% | 31.5% |
| 2007 | 25.5% | 7.0% | 33.5% | 21.5% | 29.5% |
| 2008 | 25.0% | 10.0% | 33.0% | 22.0% | 30.0% |
| 2009 | 23.0% | 11.5% | 30.0% | 20.0% | 27.5% |
| 2010 | 18.5% | 10.5% | 24.0% | 14.5% | 19.5% |
| 2011 | 11.5% | 5.5% | 14.5% | 7.5% | 10.5% |
| 2012 | 9.0% | 5.0% | 10.0% | 2.5% | 3.5% |
| 2013 | 3.0% | 2.0% | 3.0% | 0.5% | 0.5% |

(b) Other with-profits business

For the Unitised Capital Guaranteed Fund business, from 1 January 2013 to 7 March 2013 no market value reduction was applied and from 8 March 2013 to 31 December 2013 no market value reduction was applied.

For the Nestegg (post 1988) business, from 1 January 2013 to 31 December 2013 no market value reduction was applied.

For the ex BLA / Crusader With Profits Performance Fund business, from 1 January 2013 to 7 March 2013 a market value reduction of 3.00% was applied and from 8 March 2013 to 31 December 2013 no market value reduction was applied.

For the ex BLA / Crusader With Profits Pension Fund business, from 1 January 2013 to 31 December 2013 no market value reduction was applied.

For the Assured Growth Scheme business, individual scheme specific market value reductions were applied, where applicable, throughout 2013.

### (2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

### (3) Non-profit Deposit Administration

No non-profit deposit administration business is transacted.

### (4) Service Charges on Linked Policies

The linked policies that were previously in the Fund are now in the Non Profit Fund and the changes in charges are disclosed in that section of the abstract.

### (5) Benefit Charges on Linked Policies

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

### (6) Accumulating With-Profits Charges

There were no changes to unit management charges or notional charges to accumulating with-profits policies since the last valuation.

### (7) Unit Pricing of Internal Linked Funds

Not applicable

### (8) Tax Deductions From Internal Linked Funds

Not applicable

### (9) Tax Provisions for Internal Linked Funds

Not applicable

### (10) Discounts on Unit Purchases

Not applicable

## 4. VALUATION BASIS

### (1) Valuation Methods

Subject to the exceptions specified below, liabilities have been valued using the gross premium valuation method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made except implicitly in setting the per policy expenses.

The mathematical reserve for all accumulating with-profits policies has been calculated as the face value of units, which is the number of units including attaching bonus units allocated up to the valuation date, less a market value adjustment where applicable.

Exceptions:

(a) No negative reserves have been included and no contract of insurance has been treated as an asset.

(b) As a result of realised losses brought forward, no provision for the prospective liability with respect to tax on unrealised capital gains on non- linked assets was considered necessary for the purpose of this valuation.

(c) No specific reserve has been made for investment performance guarantees for property linked and deposit administration contracts, apart from ex-BLAS pension policies in the With Profit Pension Fund, where the 4% guaranteed growth rate has been allowed for.

The With-Profits Fund guarantee on policies arising from BLA is provided for by valuing units at the higher of the underlying asset price or the quoted bid price.

(d) A prospective method of valuation has not been used for the following contracts.

**Policies previously written in BLA**

Economic Mortgage and Low Start Economic Mortgage policies were valued as endowment contracts but with a death benefit equal to the greater of the guaranteed minimum death benefit and the sum assured and declared bonuses.

For group life assurances, the reserve held was the proportion of premium due in respect of the period from the valuation date to the date when the next premium falls due. For schemes where a premium rebate is given on account of favourable experience, an additional reserve was held in respect of the estimated rebate accrued to the valuation date. A reserve was held to provide for claims incurred but not reported.

Inward reassurances of term assurance benefits were valued with the reserve being a proportion of current annual premium, the proportion being not less than one half.

Where extra premiums are payable for assurances, one half of the current extra annual premiums was reserved.

Where the office premium charged was for an age higher than the actual age at entry, in respect of an under average life, the assurance was dealt with according to the rated up age. Any debts imposed on account of extra risks were ignored in the valuation.

In respect of permanent disability benefits attaching to life policies, the whole of the premium received was reserved.

Claims payable by instalments were valued on an interest only basis by discounting the future repayments.

For deposit administration contracts, the valuation liability was taken as the amounts held to the credit of policyholders before adding the current year's bonus interest.

The liabilities of Growth Pension business were obtained by valuing the paid up pensions and annuities in payment secured by each policy at the valuation date.

The reserve in respect of fatal accident benefits was not less than one half of the current annual premium.

In respect of long term permanent health policies, other than those valued on the gross premium method, the reserve held was the proportion of premium due in respect of the period from the valuation date to the date when the next premium falls due, together with additional reserves in respect of the estimated amount of rebate accrued to the valuation date where appropriate.

A reserve was held for claims in course of payment and to provide for claims incurred but not reported.

**Policies previously written in BLL**

(i) Group life assurances costed on a unit rate risk premium basis: a reserve equal to the proportion of the premium relating to the unexpired risk subject to a minimum of one quarter of the annual premium is held.

(ii) Group life assurances associated with pension schemes and costed on a risk premium basis: a reserve equal to 75% of the risk premium is held.

No specific tests of adequacy were considered necessary for the bases used in (i) and (ii) as the underlying premium rates are tested annually for adequacy and the chargeable premium rate is guaranteed for not more than two years in either case.

**Policies previously written in BLAS**

Liabilities for group term assurance are calculated on the basis of a year's risk cost, the provision being 75% of the office annual premium or the recurrent single premium.

For deferred annuities under the Long Term Accumulation System the liabilities are the aggregate amounts of the deposit accounts, for the schemes concerned as at the valuation date after crediting interest to the daily balances, at the valuation rate.

For deferred retirals the liabilities are the cash options at normal retirement ages accumulated with interest.

In the light of these provisions tests for adequacy were not considered appropriate.

(e) Other specific reserves have been set up for the following contracts:

(i) Growth equity contracts have been valued as non-linked with-profits, plus, on Type A policies only, the full undiscounted value of capital appreciation to the valuation date including the reserve for capital gains tax.

(ii) Genesis pension contracts have been valued at the face value of units for linked benefits and by a gross premium method for non-linked benefits.

The assumptions used in the cash flow method are as stated at the start of this section.

## (2) Valuation Interest Rates

The following table shows the valuation interest rates:

| | Current Valuation | Previous Valuation |
|---|---|---|
| **Life Assurance Fund** | | |
| With Profit | 2.24% | 0.45% |
| Non Profit | 2.54% | 1.00% |
| **General Annuity Fund** | | |
| With profit Deferred Annuities | 3.64% | 2.81% |
| Non profit Deferred Annuities | 3.39% | 0.59% |
| Immediate Annuities | 3.36% | 3.25% |
| **Pension Business Fund** | | |
| New With Profit AP Deferred Annuities | 2.91% | 2.81% |
| New With Profit SP Deferred Annuities | 2.91% | 2.81% |
| Old With Profit AP Deferred Annuities | 3.64% | 2.81% |
| Old With Profit SP Deferred Annuities | 3.92% | 2.81% |
| Non Profit AP Deferred Annuities | 3.39% | 0.59% |
| Non Profit SP Deferred Annuities | 3.43% | 2.27% |
| Immediate Annuities | 3.36% | 3.25% |
| Laserplan | 3.92% | 2.81% |
| Group Pension Plan | 2.70% | 2.81% |
| **PHI Fund** | | |
| Non-claims | 4.00% | 4.00% |
| Claims in Payment | 2.69% | 3.25% |

For deferred annuities, the stated valuation interest rate applies before and after vesting.

The valuation interest rate for immediate and deferred pension annuity business is calculated based on the waiver granted by the Prudential Regulation Authority, under section 148 of the Financial Services and Markets Act 2000. Under this waiver a company is allowed to calculate the valuation rate of interest using the internal rate of return on assets backing the annuity liabilities instead of using the arithmetic mean of the gross redemption yields on each asset weighted by their market values. Details of this waiver are covered in the Notes to Appendix 9.3.

The methodology for setting the valuation interest rate for the index linked annuities does not utilise the waiver, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

<u>Fixed Interest</u>

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

<u>Variable Interest</u>

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

<u>Property</u>

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

## (4) Mortality Basis

| Product Type | Current Valuation Table | Previous Valuation Table |
|---|---|---|
| Life Fund Permanent Assurances | 94% AM92<br>94% AF92 | 94% AM92<br>94% AF92 |
| Term Assurances | 94% TM92<br>94% TF92 | 94% TM92<br>94% TF92 |
| GAF Annuities | 95% Modified IMA92<br>95% Modified IFA92 | 95% Modified IMA92<br>95% Modified IFA92 |
| PBF Annuities | 95% Modified PCMA00<br>83.1% Modified PCFA00 | 97.4% Modified PCMA00<br>85.5% Modified PCFA00 |
| PBF Deferred Annuities (In deferment) | 64% AM92<br>64% AF92 | 64% AM92<br>64% AF92 |
| GAF Deferred Annuities (In deferment) | 64% AM92<br>64% AF92 | 64% AM92<br>64% AF92 |
| PBF Deferred Annuities (In Payment) | 95% Modified PCMA00<br>83.1% Modified PCFA00 | 97.4% Modified PCMA00<br>85.5% Modified PCFA00 |
| GAF Deferred Annuities (In Payment) | 95% Modified IMA92<br>95% Modified IFA92 | 95% Modified IMA92<br>95% Modified IFA92 |
| | **Percent of Premium** | **Percent of Premium** |
| Group Pensions % of premium | 0.15% | 0.15% |
| Group Life % of premium | 70% | 70% |

For 31 December 2013, the improvement factors were updated from CMI 2009 to CMI 2012. Updating the valuation date from 31 December 2012 to 31 December 2013 and the improvement factors changes give rise to Annuities in payment using the following improvement factors:

| Male | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 40 | 2.43% | | | | | |
| 50 | 1.24% | 2.43% | | | | |
| 60 | 2.31% | 1.50% | 2.47% | | | |
| 70 | 3.56% | 2.06% | 1.99% | 2.50% | | |
| 80 | 3.32% | 2.65% | 1.97% | 2.15% | 2.22% | |
| 90 | 1.74% | 1.83% | 1.77% | 1.63% | 1.67% | 1.67% |
| 100 | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% |
| **Female** | **2014** | **2024** | **2034** | **2044** | **2054** | **2064** |
| 40 | 1.98% | | | | | |
| 50 | 2.04% | 2.26% | | | | |
| 60 | 1.99% | 2.30% | 2.39% | | | |
| 70 | 2.83% | 2.35% | 2.43% | 2.48% | | |
| 80 | 3.33% | 2.49% | 2.15% | 2.21% | 2.22% | |
| 90 | 1.61% | 1.93% | 1.73% | 1.66% | 1.67% | 1.67% |
| 100 | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% |

Expectation of life resulting from these improvement factors:

| | Current Age | Expectation of life from Age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 24.54 | 27.67 | 24.28 | 27.08 |
| | 75 | 75 | 15.01 | 17.68 | 14.86 | 17.14 |
| Deferred annuities | 45 | 65 | 27.57 | 30.62 | 27.39 | 30.05 |
| | 55 | 65 | 26.03 | 29.17 | 25.81 | 28.60 |

## (5) Morbidity Basis

Not required as below de minimis level.

## (6) Expense Basis

The following table shows the gross attributable expenses per policy.

| Product Group | | Per Policy Expense | |
|---|---|---|---|
| | | Current Valuation | Previous Valuation |
| | | £ | £ |
| CWP savings endowment (product code 120) | RP | 97.54 | 93.75 |
| | PUP | 48.77 | 46.87 |
| CWP target cash endowment (125) | RP | 97.54 | 93.75 |
| | PUP | 48.77 | 46.87 |
| CWP pensions (155/165) | RP | 162.57 | 156.24 |
| | SP/PUP | 48.77 | 46.87 |
| Term assurance (325 / 330) | | 58.53 | 56.25 |
| Income protection (360 / 365) | | 94.29 | 90.62 |
| Income protection claims in payment (385) | | 0.00 | 0.00 |
| Annuity (400) | | 58.53 | 56.25 |
| UWP savings endowment (510) | RP | 97.54 | 93.75 |
| | PUP | 48.77 | 46.87 |
| UWP target cash endowment (515) | RP | 97.54 | 93.75 |
| | PUP | 48.77 | 46.87 |
| UWP regular premium pension (525/545) | RP | 162.57 | 156.24 |
| | PUP | 48.77 | 46.87 |
| UWP single premium pension (525/545) | | 48.77 | 46.87 |
| UWP group regular premium pension (525/545) | | 83.88 | 79.09 |
| UWP group single premium pension (525/545) | | 83.88 | 79.09 |

where:

RP Regular premium policies
SP Single premium policies
PUP Paid up policies

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

For the current valuation the investment expense assumptions have been updated to allow for the impact of the investment fee scale agreed with the asset manager.

The base fees are as follows:

| Investment expense (gross of tax) | Current valuation | Previous valuation |
|---|---|---|
| LASER, BL/BLA Controlled Funding, High g'tee WP Pens & LAS Cash Bonus | 0.09% | 0.08% |
| Ex-BLA Deposit Admin & ex-LAS Deposit Admin | 0.10% | 0.11% |
| Ex-BL Deposit Admin & UCGF | 0.13% | 0.13% |
| Other WP | 0.13% | 0.14% |

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £1.1m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) Unit Growth Rates And Inflation Assumptions

There are no unit growth rate assumptions on the residual linked business as the reserve held is the face value of the units.

Future expenses are assumed to increase by RPI+1% p.a.

The following rates are used for conventional contracts administered by Pearl Group Management Services (PGMS):

| | Current Valuation | Previous Valuation |
|---|---|---|
| **2013** | 4.6% | 3.9% |
| **2014** | 4.6% | 3.9% |
| **2015** | 4.6% | 3.9% |

and at RPI+1% p.a. thereafter.

## (8) Future Bonus Rates

The company is a realistic basis life firm and as such, in accordance with INSPRU 1.2.9(R), no allowance has generally been made for future reversionary bonuses.

## (9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date (but see paragraph 4 (10) below).

## (10) Other Material Assumptions

Provision has been made in the value of liabilities held for guaranteed benefits included in the terms of contracts in force at the valuation date.

For accumulating with-profits contracts, the published reserve basis applies a market value adjustment where one applies in practice.

### (11) Allowance for Derivatives

No contracts have liabilities that have been calculated by reference to derivative assets. We have a holding of swaptions to hedge against the risk of interest rate falls affecting the guaranteed annuity option reserves, where a matching additional reserve is also held.

### (12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2010.

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

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

(i) the cash amount, and

(ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

| Product Name | GAO Reserve £m | Min Duration years | Max Duration years | Guaranteed Annuity Rate % cash sum | Type of annuity | Retirement Age |
|---|---|---|---|---|---|---|
| Indiv Arr 1st and 2nd Series | 1.4 | 0.0 | 24.0 | 6.0 | Joint Life 50% | 65 |
| Indiv Arr 1st and 2nd Series | 1.4 | 0.0 | 22.0 | 4.9 | Joint Life 50% | 65 |
| Indiv Arr 1st and 2nd Series | 1.6 | 0.0 | 17.0 | 3.8 | Joint Life 50% | 60 |
| Indiv Arr 1st and 2nd Series | 1.1 | 0.0 | 24.0 | 8.0 | Joint Life 50% | 65 |
| Indiv Arr 1st and 2nd Series | 1.2 | 0.0 | 22.0 | 5.3 | Joint Life 50% | 61 |
| Indiv Arr 1st and 2nd Series | 0.8 | 0.0 | 22.0 | 6.4 | Joint Life 50% | 64 |
| Indiv Arr 1st and 2nd Series | 0.8 | 0.0 | 23.0 | 7.6 | Joint Life 50% | 65 |
| Indiv Arr 1st and 2nd Series | 0.3 | 0.0 | 14.0 | 9.5 | Joint Life 50% | 65 |
| Indiv Arr 1st and 2nd Series | 0.4 | 0.0 | 21.0 | 4.5 | Joint Life 50% | 63 |
| Indiv Arr 1st and 2nd Series | 0.4 | 0.0 | 21.0 | 9.5 | Single Life | 65 |
| Indiv Arr 1st and 2nd Series | 0.3 | 0.0 | 21.0 | 8.8 | Single Life | 62 |
| Indiv Arr 1st and 2nd Series | 0.1 | 0.0 | 13.0 | 11.1 | Single Life | 65 |
| Indiv Arr 1st and 2nd Series | 0.2 | 0.0 | 16.0 | 7.3 | Single Life | 60 |
| Indiv Arr 1st and 2nd Series | 0.2 | 0.0 | 16.0 | 7.3 | Joint Life 50% | 61 |
| Indiv Arr 1st and 2nd Series | 0.1 | 0.0 | 17.0 | 7.0 | Joint Life 50% | 60 |
| Seda Series 3 - Individual | 2.0 | 0.2 | 30.4 | 5.6 | Single Life | 75 |
| Seda Series 3 - Individual | 16.9 | 0.2 | 30.4 | 6.8 | Single Life | 75 |

A portfolio of Swaptions is held to hedge against the risk of falling interest rates.

## (2) Guaranteed Surrender and Unit-linked Maturity Values

Guaranteed surrender values – the reserves for these do not exceed the materiality limits.

## (3) Guaranteed Insurability Options

Guaranteed insurability options - the reserves for these do not exceed the materiality limits.

### (4) Other Guarantees and Options

(a) Provision was made for any guarantees and options (other than investment performance guarantees) on the following basis.

Flexible endowment policies were valued at the higher of the net liabilities assuming maturity at:

(i) the next early maturity option with the relevant guarantees, or

(ii) the maximum term.

Conversion and guaranteed insurability options under convertible term policies have been provided for by increasing reserves over those that would have been required for term policies.

**Policies previously written in BLAS**

Mortality reserves in respect of guaranteed and other death benefits were set up as follows:

Pre 1982 series. Assuming a 25% fall in unit values, very few contracts would have a sum assured at risk. A nominal reserve is held.

Post 1981 series and pension business. With the exception specified below, the reserve is twice the monthly risk charge for the relevant benefits, adjusted for extra premiums.

The reserve set up for waiver of premium benefits under the Personal Pension Plan is the accumulation of premiums paid subject to a maximum of three years' premium, adjusted for extra premiums.

For permanent health insurance benefits the reserve set up is the accumulation of premiums paid subject to a maximum of three months' premiums, adjusted for extra premiums.

(b) For contracts with benefits expressed as an annuity but which have an option to secure a cash fund the reserve was calculated assuming that the benefit at maturity was the higher of:

(i) the annuity applied to the guaranteed cash option, and

(ii) the value of the annuity, using mortality rates appropriate for deferred annuities and the valuation interest as shown for that contract (but subject to a maximum of the reinvestment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

## 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 after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £12.0m. This is composed of the following elements:

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.2 |
| Explicit allowances for other maintenance expenses | 10.6 |
| Implicit allowances | 1.2 |

## (2) Implicit Allowances

Implicit allowances cover investment expenses and are allowed for by a reduction in the valuation interest rate based on the rates actually charged by Resolution Ignis Asset Management.

| Asset Type | Current valuation (%) | Previous valuation (%) |
|---|---|---|
| UK Gilts | 0.080 | 0.080 |
| UK Corporate Bonds | 0.080 | 0.080 |
| UK Index Linked Bonds | 0.075 | 0.075 |
| EU Gilts | 0.100 | 0.100 |
| EU Corporate Bonds | 0.110 | 0.110 |
| Property | 0.320 | 0.320 |
| Cash | 0.085 | 0.085 |

## (3) Form 43 Comparison

The maintenance expenses in paragraph 6 (1) (£12.0m) differ from line 14 of Form 43 (£13.2m) mainly due to:

- £(1.0)m due to the difference in actual expenses during 2013 and projected expenses in 2014.
- £2.2m of performance related investment fees which are not included in table 6(1).

## (4) New Business Expense Overrun

As the fund is closed to new business the expense incurred is not a material amount and as a result, it was not deemed necessary to hold a further specific reserve.

## (5) Maintenance Expense Overrun

Specific expense reserves have not been calculated for LASPEN Managed Fund contracts.

As the basis of charging for both administrative and investment management services can be varied outside the period of guarantee, which covers only the first three years following the commencement of a policy, no explicit provision for future expenses was deemed necessary.

An additional reserve of £3.7m was held in respect of the Capita contract to allow for the potential cost of renegotiating the contract at the renewal date in September 2013. This reserve was released at 31 December 2013.

No additional allowance has been made for redundancy costs or management service agreement termination costs.

### (6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

| | Liabilities * | Matching Assets | | Mismatching Percentage |
|---|---|---|---|---|
| | | Same Currency | Other Currency | |
| Currency | £m | £m | £m | |
| Sterling (£) | 1,256.4 | 1,183.0 | 89.1 | 7.0% |
| Euro (€) | 50.3 | 47.4 | 2.9 | 5.8% |
| US ($) | 1.5 | 1.5 | 0.0 | 0.0% |

* Includes liabilities in respect of the deposits received from reinsurers as shown in Form 14.

The Alba With-Profits Fund has in total UK sterling denominated assets to the value of 98.5% of its UK sterling liabilities. The company has US Dollar assets to the value of 159.6% of its US Dollar liabilities and Euro assets to the value of 269.4% of its Euro liabilities.

The returns provided to Euro and US dollar with-profits policyholders are determined by reference to the same assets as are used for its sterling with-profits policies.

### (2) Other Currency Exposures

"Other currency" grouping was not required in paragraph 7 (1).

### (3) Currency Mismatching Reserve

No explicit currency mismatching reserve is held.

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

Not applicable

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

Not applicable

### (6) Resilience Capital Requirement

Not applicable

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

No reserve is required for mismatching. Liabilities are analysed by duration and currency and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

## 8. OTHER SPECIAL RESERVES

The following special reserves exceed the lesser of £10m and 0.1% of total mathematical reserves (£1.3m).

| **Description** | **Reserve** |
|---|---|
| | **£m** |
| Data | 3.5 |
| Litigation | 2.1 |
| Future Projects | 2.2 |
| VAT | 4.0 |
| Pension Scheme Reserve | 5.9 |
| Manual Reserve headroom | 2.7 |
| Counterparty Risk | 10.0 |
| Mathematical Reserves (£m): | 1,307.4 |

<u>Counterparty Provision</u>

This is a provision for counterparty risk from reassurance arrangements. This is generally recalculated during the valuation period based on regulatory reserves less collateral assets. The valuation rates are based on the collateral assets and are therefore consistent to those we would obtain if we recaptured the business.

An additional reserve of £1.5m was held for credit default provision at December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

### (1) Facultative Treaties

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

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

### (2) Reinsurance Treaties

Immediate Annuities (Treaty 1)

**(d) XL Re Ltd (UK Branch).**

(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.

(f) No premiums were paid by the company under this treaty during the year.

(g) There is no deposit back arrangement.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) Total mathematical reserves ceded under the treaty amount to £379.0m as at the valuation date.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK.

(m) The reinsurer is not connected to the company.

(n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.

(o) No commission is payable on the reinsurance premium.

(p) This is not a financing reassurance treaty.

Immediate Annuities (Treaty 2)

**(d)** **XL Re Ltd (UK Branch).**
(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
(f) No premiums were paid by the company under this treaty during the year.
(g) There is no deposit back arrangement.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations.
(j) Total mathematical reserves ceded under the treaty amount to £168.8m as at the valuation date.
(k) There is no retention under the treaty.
(l) The reinsurer is authorised to transact business in the UK.
(m) The reinsurer is not connected to the company.
(n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
(o) No commission is payable on the reinsurance premium.
(p) This is not a financing reassurance treaty.

Non Profit Deferred Annuities

**(d) American International Reinsurance Company Ltd (AIRCO)**

(e) The treaty reassures 100% of the liability under the closed book of non profit deferred annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.

(f) No premiums were paid by the company under this treaty during the year.

(g) There is no deposit back arrangement.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) Total mathematical reserves ceded under the treaty amount to £755.2m as at the valuation date.

(k) There is no retention under the treaty.

(l) The reinsurer is not authorised to transact business in the UK.

(m) The reinsurer is not connected to the company.

(n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.

(o) No commission is payable on the reinsurance premium.

(p) This is not a financing reassurance treaty.

Guaranteed Annuity Options

**(d) Britannic With-Profits Fund**

(e) The agreement reinsures the cost of meeting guaranteed annuity options not yet vested at the valuation date exercised under with and non profit policies written with a cash benefit and guaranteed annuity option in the Ordinary Long Term fund in return for a premium of 75% of the cost of meeting any such option on the assumption that the option is exercised to the maximum extent and assuming all such options are exercised. The treaty reassures the company's liability in respect of guaranteed annuity options such that Alba With-Profits Fund's liability is restricted to a maximum of 75% of the option.

(f) The premiums payable by the company under the treaty during the year were £0.0m.

(g) There is no deposit back arrangement.

(h) The treaty is open to new business.

(i) There are no undischarged obligations.

(j) Total mathematical reserves ceded under the treaty amount to £16.8m as at the valuation date.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK.

(m) The reinsurer is a subfund of PLL.

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

(o) No commission is payable on the reinsurance premium.

(p) This is not a financing reassurance treaty.

## 10. REVERSIONARY (OR ANNUAL) BONUS

Bonus was allocated at the rates set out below at the date of this investigation.

**Policies previously written in BLA**

| | Math reserves | Reversionary Bonus rates for current year | | Reversionary Bonus rates for previous year | | Total g'tee bonus for current year |
|---|---|---|---|---|---|---|
| | | Sum Assured | Bonus | Sum Assured | Bonus | |
| **Assurances** | **£m** | | | | | |
| UK and overseas sterling life series A,B,H,D,K | 35.7 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Deferred Annuities** | | | | | | |
| Annual Premium Self Employed Deferred Annuities Series 2 & 3 | 62.4 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Single Premium Self Employed Deferred Annuities Series 2 & 3 | 10.5 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Group Deposit Administration Contracts

The following rates were applied to these contracts for the valuation year.

| | Nestegg | Nestegg 32 |
|---|---|---|
| | £m | £m |
| Mathematical reserve | 63.5 | 10.1 |
| Compounded annual rate for previous year | 1.00% | 1.00% |
| Compounded annual rate for current year | 2.75% | 2.75% |
| Total guarantee bonus for current year | 0.00% | 0.00% |

Growth Pensions

A total of £0.0m was distributed to policyholders. The mathematical reserves totalled £12.5m.

Growth Pension surplus is normally distributed annually by reference to an allocated share of assets to each group policy. The allocation of assets is adjusted each year according to the amount of new investment made in respect of each policy, and gives effect to changes in market value. Any bonus declared would be distributed to the policyholder as an amount of premium to be re-applied to the policy on "controlled funding" principles.

Bonuses, if payable, would be allocated in each case in respect of each annual premium due since the previous declaration subject, in the case of deferred life annuities (pension business) only, to payment of any premium outstanding at 31 December required to complete payment of a full year's premium.

### Policies previously written in BLL

| | Math reserve | Basic Sum Assured | Bonus | Basic Sum Assured | Bonus | Total g'tee bonus for current year |
|---|---|---|---|---|---|---|
| | | Current Valuation | | Previous Valuation | | |
| **Life assurance** | **£m** | | | | | |
| All classes | 38.3 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Non Genesis Annual Premium pension Contracts | 8.5 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Genesis Premium Rate Annual Premium Contracts | 26.5 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Buyouts and Genesis premium rate business Single Premium Contracts. | 212.8 | 0.50% | 0.00% | 0.00% | 0.00% | 0.00% |

### Policies previously written in BLAS

| | | Basic Sum Assured | Bonus | Basic Sum Assured | Bonus | Total g'tee bonus for current year |
|---|---|---|---|---|---|---|
| | **£m** | | | | | |
| UK Life Assurance Contracts | 13.1 | | | | | |
| UK Life Assurance Contracts – LAS low cost endowments | 4.4 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| UK Annual Premium Pension and Annuity Contracts | 61.0 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| UK Single Premium Pension and Annuity Contracts | 30.4 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Republic of Ireland Annual Premium & Annuity Contracts | 5.7 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Republic of Ireland Single Premium & Annuity Contracts | 4.4 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Unitised with-profits contracts -– bonus allocated to fund balances in addition to any guaranteed rate.

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | | | |
| Life Fund (0% guarantee) | 4.9 | 0.00% | 0.00% | 0.00% |
| Pension Fund (4% guarantee) | 16.3 | 0.00% | 0.00% | 4.00% |
| Pension Fund (0% guarantee) | 35.2 | 0.00% | 0.00% | 0.00% |

Unitised Capital Guarantee Fund – bonus allocated to fund balances.

| | Math reserves | Reversionary Rate for Current Year | Reversionary Bonus Rate for Previous year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | | | |
| Unitised Capital Guarantee Fund | 19.8 | 4.00% | 4.50% | 0.00% |

# Britannic Industrial Branch Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

There are no policies to which market value reductions can be applied.

### (2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

### (3) Non-profit Deposit Administration

There are no deposit administration contracts.

### (4) Service Charges on Linked Policies

There are no linked policies.

### (5) Benefit Charges on Linked Policies

There are no linked policies.

### (6) Accumulating With-Profits Charges

There are no accumulating with-profits policies.

### (7) Unit Pricing of Internal Linked Fund

Not applicable

### (8) Tax Deductions from Internal Linked Funds

Not applicable

### (9) Tax Provisions for Internal Linked Funds

Not applicable

### (10) Discounts on Unit Purchases

Not applicable

## 4. VALUATION BASIS

### (1) Valuation Methods

All policies are valued using a gross premium method. The mathematical reserves are calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The valuation data is grouped for certain policies where premiums ceased some years ago and individual policy data is not available. The data is grouped by age at entry, term and year of entry.

For additional benefits granted under the Industrial Assurance (Life Assurance Premium Relief) Regulations 1977, 95% of the premium relief due for the remainder of the tax year has been deducted from the value of the increased sum assured.

The reserves allow for the maturity guarantee of a return of premiums on certain endowment policies.

## (2) Valuation Interest Rates

The valuation interest rates used are:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| With-profit | 2.08% | 1.88% |
| Non profit | 2.08% | 1.88% |

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

<u>Fixed Interest</u>

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

## (4) Mortality Basis

The mortality bases are:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| With-profit | 110% AMC00 ult | 110% AMC00 ult |
| | 110% AFC00 ult | 110% AFC00 ult |
| Non profit | 110% AMC00 ult | 110% AMC00 ult |
| | 110% AFC00 ult | 110% AFC00 ult |

## (5) Morbidity Basis

Not applicable

## (6) Expense Basis

The per-policy expenses are shown in the table below.

| Product Group | Per Policy Expense Current Valuation | | Per Policy Expense Previous Valuation | |
|---|---|---|---|---|
| | Premium paying | Non premium paying | Premium paying | Non premium paying |
| | £ | £ | £ | £ |
| With-profits (105 / 130) | 18.83 | 9.15 | 18.25 | 8.14 |
| Non profit (310) | n/a | 9.15 | n/a | 8.14 |

For the current valuation the investment expense assumptions are based on the investment fee scale agreed with the asset manager. During the valuation period there has been a review of the asset mix in this fund and as a result new investments have been purchased and are reflected in the table below. The base fees are as follows:

| Type of Asset | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| | Growth % | Matched % | Growth % | Matched % |
| UK Equities | 0.150 | 0.150 | 0.150 | 0.150 |
| Emerging market equities | 0.400 | 0.400 | 0.400 | 0.400 |
| Other overseas equities | 0.208 | 0.212 | 0.208 | 0.212 |
| Private equity | 0.600 | 0.600 | 0.600 | 0.600 |
| Property | 0.320 | 0.320 | 0.320 | 0.320 |
| Alternative assets | 0.300 | 0.300 | 0.300 | 0.300 |
| Gilts | 0.079 | 0.079 | 0.079 | 0.079 |
| Other Fixed Interest | 0.080 | 0.080 | 0.080 | 0.080 |
| Cash | 0.085 | 0.085 | 0.085 | 0.085 |

The expenses above are shown gross and, for life fund business, are netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £0.3m. At the previous valuation these additional services had been allowed for explicitly as a provision of £0.2m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) Unit Growth Rates and Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

The allowance made for expense inflation is:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| With-profits policies | 5.05% | 4.38% |
| Non profit policies | 4.55% | 3.88% |

### (8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves.

### (9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

### (10) Other Material Assumptions

All policies subject to a contingent debt have been valued using true ages and the actual sums assured.

The mathematical reserve is not less than the surrender value or transfer value which a policyholder might reasonably expect to receive, but excluding any element relating to final bonus.

Following an investigation carried out during 2013, the fund now assumes that a large number of in force whole of life policies at each age will never result in a claim as death has already occurred and no claim has been made. At this valuation the fund has applied write-off factors to allow for this and reserves have been released as a result.

### (11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities. In addition there are a few assets having the effect of a derivative contract and these do not impact the long term business insurance liabilities.

### (12) Effect of Basis Changes

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

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

There are no guaranteed annuity rate options.

## (2) Guaranteed Surrender and Unit-linked Maturity Values

Minimum surrender values are applied to both whole of life and endowment policies in accordance with the Industrial Assurance Act 1923. On surrender, the fund aims to pay out 100% of asset share. These surrender values exceed the 1923 Act minimum amounts. The amount of the additional reserve included in Form 51 to ensure the mathematical reserve is no less than the current surrender value is shown in the table below.

| Product Name | Mathematical Reserve Excluding Guarantee | Guarantee Reserve | In force premium per annum |
|---|---|---|---|
| | £m | £m | £m |
| IB policies | 186.0 | 0.1 | 6.4 |

## (3) Guaranteed Insurability Options

Not applicable

## (4) Other Guarantees and Options

The maturity value of endowments issued from 6 April 1999 is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

These endowments are conventional with-profits products therefore a market value reduction does not apply. Policyholders may not make increments to these policies

| Product Name | Basic Reserve | Spread of outstanding durations | Guarantee Reserve | Guarantee Amount | In force premiums |
|---|---|---|---|---|---|
| | £m | years | £m | £m | £m |
| Industrial Branch Endowment | 17.8 | 1-13 | 4.9 | 39.8 | 2.6 |

# 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 after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £4.5m. The aggregate expense loadings is composed of the following elements:

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.0 |
| Explicit allowances for other maintenance expenses | 4.3 |
| Implicit allowances | 0.2 |

## (2) Implicit Allowances

The implicit allowances represent the allowance for base future investment expenses. These are calculated as the expected investment management charges based on the current asset mix and yields applied to the mathematical reserves.

## (3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months and the maintenance expense in Form 43 line 14 are shown in the table below. Due to the significant run-off rate of the business, expense loadings available for the coming year would be expected to be below the actual level of expenses incurred in the past year.

| | F43.14 | table 6(1) | ratio |
|---|---|---|---|
| **Homogeneous risk group** | **(a)**<br>**£m** | **(b)**<br>**£m** | **(a)/(b)** |
| Endowment & whole life | 5.1 | 4.5 | 113% |
| Total | 5.1 | 4.5 | 113% |

## (4) New Business Expense Overrun

Since the company is not actively seeking new business, there is no new business strain and no additional reserve is required.

## (5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. An additional reserve of £2.9m is established to cover the risk that there is a one-off increase in per policy charges when the current management services agreement is reviewed in 2014.

## (6) Non-attributable expenses

All expenses are treated as attributable.

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

All liabilities are denominated in sterling and are backed by sterling denominated assets

| Currency | Math Reserves | Matching assets |
|---|---|---|
| | £m | £m |
| Sterling (£) | 186.7 | 186.7 |
| Euro (€) | 0.0 | 0.0 |
| Total | 186.7 | 186.7 |

### (2) Other Currency Exposures

All liabilities are denominated in sterling.

### (3) Currency Mismatching Reserve

There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

### (4) Most Onerous Scenario under INSPRU 3.1.16(R)

PLL is a realistic basis reporting company and as such there is no resilience capital requirement.

### (5) Most Onerous Scenario under INSPRU 3.1.23(R)

Not applicable

### (6) Resilience Capital Requirement

Not applicable

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

No reserve is required for mismatching. Liabilities are analysed by duration and currency and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding 0.1% of total mathematical reserves are outlined in the table below.

| Description | Reserve |
|---|---|
| | £m |
| Data | 1.2 |
| Litigation | 0.5 |
| Project and other costs | 0.6 |
| MSC Expense Review | 2.9 |
| VAT | 0.7 |
| Pension Scheme | 1.3 |
| Costs falling outside MSAs | 0.4 |
| TCF | 0.2 |
| Strachan | 0.4 |
| Capita Regulatory Buyout | 0.4 |
| Solvency II, ICA+ and QR Reporting | 0.3 |
| Asset Management Services | 0.3 |

Data
The data contingency reserve covers additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

MSC Expense Review
This is described in paragraph 6(5).

Pension Scheme
To cover Pension Scheme longevity risks, a Regulatory Peak provision of £25.6m is retained in PLL. This provision has reduced significantly (was £50.0m at previous valuation) reflecting the reduced risk associated with this exposure as measured by the ICA risk capital at 31 December 2012. Of this £25.6m provision, £1.0m applies to this fund. In addition to this, a further £8.0m provision for PLL (£0.3m applies to this fund) is held in respect of a payment that is expected to fall due under the longevity indemnity following the last triennial scheme valuation.

An additional reserve of £1.5m was held for credit default provision at 31 December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

### (1) Facultative Reinsurance

| Reinsurance | |
|---|---|
| (a) | No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK. |
| (b) | No such premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK. |

### (2) Reinsurance Treaties

There are no reinsurance treaties in force.

## 10. REVERSIONARY (OR ANNUAL) BONUS

| Bonus series | Math reserves | Reversionary bonus rate for current year | Reversionary bonus rate for previous year | Total guaranteed bonus rate for current year |
|---|---|---|---|---|
| | £m | | | |
| Industrial Branch | 150.0 | 0.59% | 0.57% | 0.59% |

The rates shown are weighted averages as the rates of reversionary bonus vary between 0.25% and 1.7% depending on year of entry.

# Britannic With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

Market value reductions may be applied to unitised with-profits and smoothed return business for non-protected exits such as surrenders, transfers and early or late retirements. Market value reductions may not be applied for protected exits which generally include death, maturity, surrender at a guarantee date and retirement at the selected retirement date. The times at which a market value reduction may be applied have previously been fully described in the product range information provided in previous annual returns.

Market value reductions are applied and calculated on an individual policy basis, based on that particular policy's individual circumstances, including the policy's premium history and investment conditions over the duration of the policy and those prevailing at the time of non-protected exit. Consequently a statement of the period for which market value reductions were applied and a summary of the policy years of entry to which it was applied is not available.

During 2013, market value reductions were applied to some claims to some degree for all types of unitised with-profits and smoothed return business.

### (2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

### (3) Non-profit Deposit Administration

There are no deposit administration policies in force.

### (4) Service Charges on Linked Policies

There have been no changes to service charges on linked policies.

### (5) Benefit Charges on Linked Policies

There have been no changes to benefit charges on linked policies.

### (6) Accumulating With-Profits Charges

There have been no changes to unit management charges or notional charges to accumulating with-profits policies during the year.

### (7) Unit Pricing of Internal Linked Funds

The internal linked funds are held within the Non Profit Fund.

### (8) Tax Deductions from Internal Linked Funds

The tax deductions are described in the Non Profit Fund Section.

### (9) Tax Provisions for Internal Linked Funds

The tax provisions are described in the Non Profit Fund Section.

### (10) Discounts on Unit Purchases

Not applicable

## 4. VALUATION BASIS

### (1) Valuation Methods

**Policies previously written in BA**

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The mathematical reserve for guaranteed annuity option business reinsured from the Alba With-Profits Fund is based on the excess of the value of the deferred annuity compared to the cash amount. The underlying assumption is that 95% of policyholders exercise the option and that 20% of the policyholders exercising the option take the maximum tax-free cash. These assumptions are at least as prudent as the requirement in INSPRU 1.2.66(G).

The mathematical reserve includes reserves for lapsed policies which may be reinstated under the company's non-forfeiture regulations by payment of arrears. The mathematical reserves are reduced by the premium in arrears.

The reserves for contracts providing terminal illness benefit allow for the payment of death benefit a year early and for the loss of a year's premiums.

The reserves allow for the maximum estimated future cost of the concession granted to policies at the time of withdrawal of life assurance premium relief.

The mathematical reserves for the with-profits annuity is the value of projected future cashflows allowing for future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions. The future annuity payments allow for the smoothing of annuity payments down to the level supported by the valuation interest rate.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

(i) The minimum of (a) and (b) below:

- a. The face value of units, which is the number of units including attaching bonus units allocated up to the valuation date valued at £1.00 each. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme; and

b. The shadow fund value, which is the value of accumulated premiums less policy charges at the earned investment rate.

(ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses. In the projection, there is no allowance for future reversionary bonuses. For regular premium paying policies, the reserves are based on:

a. 50% of the higher of the reserve calculated assuming that regular premiums continue to be paid at the current level and the reserve if premiums increase automatically in line with policy conditions; and

b. 50% of the reserve calculated assuming that premiums cease and the policy becomes paid up at the valuation date.

The non-unit reserve for mortality cover for regular premium policies is equal to at least eighteen times the current monthly charge for these benefits.

The mathematical reserve for the overseas with profit bond (series I) makes no allowance for future bonus.

For the smoothed return With-Profit Bond invested in series B2 units, the mathematical reserves allow for future reversionary bonus supported by the valuation interest rate after allowing for the management charges. Allowance is made for the period during which the reversionary bonus rates are reduced to supportable levels after allowing for the smoothed policy value and guaranteed policy value as appropriate and smoothed investment returns.

Mortality charges are not guaranteed and can be varied at short notice. Policyholders would reasonably expect any increases in charges to be justified by significant adverse actual experience. The reserves make no allowance for changes in future mortality charges.

<u>Ex- Britannic Hybrid Policies</u>

Policies investing in unitised with-profits units may also invest in unit linked units in the Non Profit Fund. All unit linked liabilities are fully maintained in the Non Profit Fund. This includes both the unit reserve and sterling reserves (in respect of unit linked liabilities) covering future expenses and mortality costs.

**Policies previously written in Century**

For with-profits whole life and endowment assurance contracts, the reserve was calculated using the net premium method of valuation with a Zillmer adjustment. The net premiums were limited to a maximum percentage of the office premium as follows:

| | |
|---|---|
| Ex-NEL With Profit Assurances | 95% |
| Ex-Prosperity Whole Life Assurances | 85% |
| Ex-Prosperity Endowment Assurances | 95% |
| Ex-Sentinel With-Profit Assurances | 65% |

Policies have been issued subject to a lien and under certain Endowment Assurance policies the sum payable on death may be less than the sum payable at maturity. In the valuation an amount equal to the sum payable on maturity has been assumed to be the sum payable at death.

The reserves calculated were tested against the guaranteed surrender value and if the latter was the greater then this amount was held as the valuation reserve.

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

For policies where the extended term non-forfeiture provision was in operation on the valuation date, a reserve was held to cover the liability during the remaining period of non-forfeiture and, for endowment assurances, any maturity payment at the end of the period.

For lives accepted at non-standard rates, the additional reserve held was an amount equal to 150% of the annual office extra premium.

Non-linked Deferred Annuities

For ex-Sentinel with-profits deferred annuity contracts the reserve was calculated using the net premium method of valuation. The net premiums were limited to a maximum of 90% of the office premium.

For ex-NEL with-profits 'untied' and 'tied' deferred annuities, the mathematical reserve has been ascertained for each policy by deducting from the present value of the cash option and annuity respectively and the present value of an amount not less than the return on death, if any, the present value of the net premiums receivable. The net premium method of valuation was used; the net premium so calculated being restricted to a maximum of 95% of the annualised office premium. No Zillmer adjustment was made.

For all policies, the premium payment term is an integral number of years and the vesting date is usually the insured’s birthday following the end of that period.

The reserve for paid up or single premium policies was increased by 6.25% to provide for future expenses relating to those policies.

## (2) Valuation Interest Rates

The valuation interest rates used for the main groups of policy are:

| Product Group | | | Current Valuation | Previous Valuation |
|---|---|---|---|---|
| **Policies previously written in BA** | | | | |
| | **Conventional Life Business** | | | |
| | With-profits assurances | discount rate | 3.16% | 2.13% |
| | Non profit assurances | discount rate | 3.21% | 2.18% |
| | With-profits deferred annuity | in deferment | 3.95% | 2.66% |
| | | in payment | 3.21% | 2.12% |
| | **Conventional Pensions Business** | | | |
| | With-profits deferred annuity | in deferment | 3.95% | 2.66% |
| | | in payment | 3.21% | 2.12% |
| | Non profit deferred annuity | in deferment | 3.07% | 2.12% |
| | | in payment | 3.21% | 2.12% |
| | With-profits annuity | discount rate | 2.81% | 2.66% |
| | Guaranteed annuity options | in deferment | | |
| | | in payment | see note below | |
| | **Unitised Life Business** | | | |
| | Single premium whole life (portfolio) | unit growth | 2.29% | 2.13% |
| | | discount rate | 2.29% | 2.13% |
| | Single premium whole life (series B2, FWL) | unit growth | 2.29% | 2.13% |
| | | discount rate | 2.29% | 2.13% |
| | Regular premium endowment - savings | unit growth | 2.29% | 2.13% |
| | | discount rate | 2.29% | 2.13% |
| | Regular premium ISA | unit growth | 3.95% | 2.66% |
| | | discount rate | 3.95% | 2.66% |
| | **Unitised Pensions Business** | | | |
| | Individual pensions | unit growth | 2.81% | 2.66% |
| | | discount rate | 2.81% | 2.66% |
| | **Overseas Business** | | | |
| | Single premium series I (Irish life) | unit growth | 2.81% | 2.66% |
| | | discount rate | 2.81% | 2.66% |
| | **Unit linked pensions** | | | |
| | Stakeholder | unit growth | 3.90% | 2.73% |
| | | discount rate | 3.90% | 2.73% |
| **Policies previously written in Century** | | | | |
| | With-profits whole life and endowments | discount rate | 3.16% | 2.13% |
| | Non linked deferred annuity with profits | in deferment | 3.95% | 2.66% |
| | | in payment | 3.21% | 2.12% |

For guaranteed annuity options reassured in from the PLL Alba WP fund, the deferred annuity valuation bases described in the Alba section of this appendix are used.

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

<u>Fixed Interest</u>

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

## (4) Mortality Basis

**Policies previously written in BA**

The mortality bases for the main classes of business are:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| **Conventional Life Business** | | |
| With-profits and non profit assurances | 110% AMC00 ult<br>110% AFC00 ult | 110% AMC00 ult<br>110% AFC00 ult |
| With-profits deferred annuity | | |
| in deferment | 85% AMC00 ult<br>85% AFC00 ult | 85% AMC00 ult<br>85% AFC00 ult |
| in payment | 56% RMV00 | 57% RMV00 |
| | 56% RFV00 | 56% RFV00 |
| **Conventional Pensions Business** | | |
| With-profits deferred annuity | | |
| in deferment | 85% AMC00 ult<br>85% AFC00 ult | 85% AMC00 ult<br>85% AFC00 ult |
| in payment | 56% RMV00 | 57% RMV00 |
| | 56% RFV00 | 56% RFV00 |
| Non profit deferred annuity | | |
| in deferment | 85% AMC00 ult<br>85% AFC00 ult | 85% AMC00 ult<br>85% AFC00 ult |
| in payment | 56% RMV00 | 57% RMV00 |
| | 56% RFV00 | 56% RFV00 |
| **With-Profits Annuity** | | |
| | Modified PMA 92 | Modified PMA 92 |
| | Modified PFA 92 | Modified PFA 92 |
| **Guaranteed annuity options** | | |
| | see note below | |
| **Unitised Life Business** | | |
| Single premium whole life | 110% AMC00 ult<br>110% AFC00 ult | 110% AMC00 ult<br>110% AFC00 ult |
| Single premium whole life series B2 | 110% AMC00 ult<br>110% AFC00 ult | 110% AMC00 ult<br>110% AFC00 ult |
| Regular premium endowment savings | 110% AMC00 ult<br>110% AFC00 ult | 110% AMC00 ult<br>110% AFC00 ult |
| **Unitised Pensions Business** | | |
| Individual pensions | 165% AMC00 ult<br>154% AFC00 ult | 165% AMC00 ult<br>154% AFC00 ult |
| **Overseas Business** | | |
| Single premium series I | 110% AMC00 ult<br>110% AFC00 ult | 110% AMC00 ult<br>110% AFC00 ult |
| **Unit Linked Pensions** | | |
| Stakeholder | 165% AMC00 ult<br>154% AFC00 ult | 165% AMC00 ult<br>154% AFC00 ult |

For guaranteed annuity options reassured in from the PLL Alba WP fund, the deferred annuity valuation bases described in the Alba section of this appendix are used.

The longevity improvement factors used for post vesting mortality assumptions for the current year are:

| Males | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 40 | 2.43% | | | | | |
| 50 | 1.24% | 2.43% | | | | |
| 60 | 2.31% | 1.50% | 2.47% | | | |
| 70 | 3.56% | 2.06% | 1.99% | 2.50% | | |
| 80 | 3.32% | 2.65% | 1.97% | 2.15% | 2.22% | |
| 90 | 1.74% | 1.83% | 1.77% | 1.63% | 1.67% | 1.67% |
| 100 | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% |

| Females | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 40 | 1.98% | | | | | |
| 50 | 2.04% | 2.26% | | | | |
| 60 | 1.99% | 2.30% | 2.39% | | | |
| 70 | 2.83% | 2.35% | 2.43% | 2.48% | | |
| 80 | 3.33% | 2.49% | 2.15% | 2.21% | 2.22% | |
| 90 | 1.61% | 1.93% | 1.73% | 1.66% | 1.67% | 1.67% |
| 100 | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% |

These improvements are used in conjunction with a base assumption of 111.6% of RMV00/RFV00 for annuities in payment. However, due to model constraints, the basis is approximated to that shown in the main table above which is used with no further allowance for improvements.

The expectations of life for with-profits deferred annuity for the current and previous year are:

| Expectation of life from age 65 for current age | Current Valuation | Previous Valuation |
|---|---|---|
| Male aged 45 | 25.9 | 26.1 |
| Male aged 55 | 24.4 | 24.5 |
| Female aged 45 | 28.9 | 28.9 |
| Female aged 55 | 27.5 | 27.6 |

The mortality tables used for with-profits deferred annuity for the current year are RFV00/RMV00.

**Policies previously written in Century**

The mortality bases used in the valuation of the significant groups of business are as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| **With-Profits Whole Life and Endowment Assurance** | | |
| Base Table | 81% A67/70 Ult | 81% A67/70 Ult |
| R6A (peak) AIDS allowance | 33% | 33% |
| Age deduction for females | 3 years | 3 years |
| **With-Profits Deferred Annuity - in deferment** | | |
| Base Table | 45% A67/70 Ult | 45% A67/70 Ult |
| R6A (peak) AIDS allowance | 33% | 33% |
| Age deduction for females | 3 years | 3 years |

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

## (5) Morbidity Basis

There is not a significant amount of business with critical illness cover.

## (6) Expenses

The following tables show the gross attributable expenses per policy.

| Product Group | Per Policy Expense | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | (£) | (£) |
| **CWP savings endowment (120)** | | |
| Premium paying | 50.82 | 49.09 |
| Single premium/paid up | 25.42 | 24.55 |
| **CWP target cash endowment (125)** | | |
| Premium paying | 50.82 | 49.09 |
| Single premium/paid up | 25.42 | 24.55 |
| **CWP pensions (155/165)** | | |
| Premium paying | 84.69 | 81.82 |
| Single premium/paid up | 25.42 | 24.55 |
| **UL pension (725)** | | |
| Regular premium | 64.37 | 62.19 |
| Single premium/paid up | 64.37 | 62.19 |
| **UWP Bond (500) - Series B** | | |
| Regular premium | 50.82 | 49.09 |
| Single premium/paid up | 25.42 | 24.55 |

| Product Group | | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | % Basic Units | % Basic Units |
| **UWP Bond (500)** | | |
| Premium paying | 0.60 | 0.58 |
| Single premium/paid up | 0.60 | 0.58 |
| **UWP savings endowment (510)** | | |
| Premium paying | 0.60 | 0.58 |
| Single premium/paid up | 0.60 | 0.58 |
| **UWP pension (525 / 545)** | | |
| Regular premium | 0.60 | 0.58 |
| Single premium/paid up | 0.60 | 0.58 |
| **UL pension (725)** | | |
| Regular premium | n/a | n/a |
| Single premium/paid up | n/a | n/a |

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply. The following table shows the zillmer adjustments for other premium paying policies where the reserve was calculated using the net premium method of valuation:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| CWP savings endowment (120) | 3.00% | 3.00% |

The zillmer adjustments on life business are netted down for tax at 20%.

The expense assumptions for deferred annuities and non-premium paying assurances where the net premium method was used were as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| | % of reserve | % of reserve |
| CWP savings endowment (120) | 2.25% | 2.25% |
| Deferred annuities (390) | 6.25% | 6.25% |

The expenses on life business are netted down for tax at 20%.

For the current valuation the investment expense assumptions are based on the investment fee scale agreed with the asset manager. The base fees are as follows:

| Type of Asset | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| | Growth % | Matched % | Growth % | Matched % |
| UK Equities | 0.150 | 0.150 | 0.150 | 0.150 |
| Emerging Market Equities | 0.400 | 0.400 | 0.400 | 0.400 |
| Overseas Equities | 0.208 | 0.212 | 0.208 | 0.212 |
| Private Equity | 0.600 | 0.600 | 0.600 | 0.600 |
| Property | 0.320 | 0.320 | 0.320 | 0.320 |
| Alternative Assets | 0.300 | 0.300 | 0.300 | 0.300 |
| Gilts | 0.079 | 0.079 | 0.079 | 0.079 |
| Other Fixed Interest | 0.080 | 0.080 | 0.080 | 0.080 |
| Cash | 0.085 | 0.085 | 0.085 | 0.085 |

The investment expenses for life fund business are netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £3.1m. At the previous valuation these additional services had been allowed for as a provision of £2.3m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) Unit Growth Rates and Expense Inflation

**Policies previously written in BA**

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| **Unit growth rates** | | |
| Pensions business | 3.90% | 2.78% |
| | | |
| **Expense inflation** | | |
| With profit policies | 5.05% | 4.38% |
| Stakeholder Pension policies | 4.55% | 3.88% |

## (8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for conventional and unitised with-profits business other than for minor specific reserves in respect of Century Ex-Prosperity contracts and the Britannic smoothed return with-profits bond invested in series B2 units.

For the Britannic With-Profits Bond the average smoothed return applicable at 1 January 2014 was 5.37%.

## (9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

## (10) Other Material Assumptions

All policies subject to a contingent debt have been valued at true ages and the actual sums assured.

Policies issued subject to an extra premium have been valued at true ages and for policies previously written in BA an additional reserve of one year's extra premium and for policies previously written in Century an additional reserve of 150% of one year's extra premium have been established.

The mathematical reserve is not less than the surrender value or transfer value that a policyholder might reasonably expect to receive, but excluding any element relating to terminal bonus.

## (11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities except as described in paragraph 5 (1) below.

## (12) Effect of Basis Changes

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

# 5. OPTIONS AND GUARANTEES

## (1) Guaranteed Annuity Rate Options

**Policies previously written in BA**

The reinsurance accepted in respect of guaranteed annuity options referred to in paragraph 4 (1) and shown on Form 51 relates to the liability arising when the annuities vest in the Alba With-Profits Fund in the future.

**Policies previously written in Century**

The liabilities for guaranteed annuity rate options were calculated at policy level using a deterministic valuation interest rate. All the policies were significantly in the money at the valuation date and are likely to remain so in the future unless interest rates increase substantially. The value of the guaranteed annuity options is therefore virtually all intrinsic value, and if a stochastic method had been used, the reserves thus calculated would not be materially different from the values reported.

The main assumptions used to value guaranteed annuity options were:

| | | Current Valuation | Previous Valuation |
|---|---|---|---|
| Valuation interest rate p.a. | Pre-vesting | 3.95% | 2.66% |
| | Post-vesting | 3.21% | 2.12% |
| GAO take-up rate* | | 95% | 95% |
| Mortality | | As in 4 (4) | As in 4 (4) |
| Payment expense allowance | | 4% | 4% |

*The GAO take-up rate is calculated using the assumption that 20% of policies take 25% of their fund as cash at retirement for all outstanding durations.

Details of guaranteed annuity options that were in force at the valuation date are shown in the table below:

| Product | Basic Reserve | O/S Durn Spread | Gtee Reserve | GAO Rate | Incrs Yes/No | Ann. Form | Ret. Ages |
|---|---|---|---|---|---|---|---|
| | £m | years | £m | %cash sum | | | |
| Ex-Sentinel Dfd.Ann | 1.68 | 1-27 | 1.1 | 10.25% | No | * | 60-75 |

*The guaranteed annuity option rates shown are for a male age 65, monthly level annuity, payable in advance with 5 year guarantee period – other options are available.

In general, where policyholders may make increments to the policy, the guaranteed annuity option does not apply to the regular premium increases or additional single premiums.

## (2) Guaranteed Surrender and Unit-linked Maturity Values

There are no policies with a unit linked maturity guarantee in force. Details of policies with guaranteed surrender values are described below.

| Product | Basic Reserve | Guarantee Reserve | Guaranteed amount | In force premium per annum |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Portfolio Investment Bond | 71.6 | 0.0 | 71.6 | 0.0 |
| With Profit Bond (series B2) | 4.9 | 0.0 | 4.9 | 0.0 |
| With Profit Bond (series I) | 19.3 | 0.0 | 19.3 | 0.0 |

Portfolio Investment Bond

(a) The general method and basis of valuation are described in paragraph 4. The policies are valued assuming the benefits are paid as death benefits at age 100 as this is more onerous than allowing for surrender on a guarantee date. No additional surrender guarantee reserve is required.

(b) (i) product name, (ii) basic reserve, (iii) guarantee reserve, (iv) guaranteed amount and (v) in force premiums are shown in the table above.

(iii) and (iv)

On surrender at a guarantee date, with-profits units and bonus units have a guaranteed value of £1.00. In addition, for policies issued from 28 May 1997, the surrender value at the guarantee date in respect of the with-profits benefits will not be less than the premium applied to purchase those benefits. The guarantee date varies by date of issue of the policy:

| Date of issue | Guarantee dates |
|---|---|
| Prior to 12 July 1994 | Fifth and subsequent policy anniversaries |
| 12 July 1994 to 6 April 1999 | Fifth and subsequent quinquennial policy anniveraries |
| From 6 April 1999 | Tenth and subsequent policy anniversaries |

(v) No increments can be made to the policy.

With Profits Bond (series B2)

(a) The general method and basis of valuation are described in paragraph 4.

(b) (i) product name, (ii) basic reserve, (iii) guarantee reserve, (iv) guaranteed amount and (v) in force premiums are shown in the table above.

(iii) and (iv)

This policy invests in the With-Profits Fund and participates in surplus in the With-Profits Fund by the allocation of smoothed investment returns. Each contribution has two separate values, the smoothed value and the guaranteed value, together with an underlying unsmoothed value. The smoothed value is the contribution increased or decreased by the smoothed investment return net of the initial charge and annual management charge. The guaranteed value is initially 75% of the smoothed value and will be increased such that it is equal to 75% of the previous highest smoothed value.

The full or partial withdrawal value at a guarantee date is the higher of the smoothed value and the guaranteed value.

The guarantee dates are the 5th and subsequent quinquennial policy anniversaries.

(v) No increments can be made to the policy.

With Profits Bond (Series I)

(a) The general method and basis of valuation are described in paragraph 4.

(b) (i) product name, (ii) basic reserve, (iii) guarantee reserve, (iv) guaranteed amount and (v) in force premiums are shown in the table above.

(iii) and (iv)

This policy invests in the With-Profits Fund and reversionary bonus vests on a daily basis at a rate declared at the previous valuation date in anticipation of surplus that would otherwise emerge following the previous valuation.

The full withdrawal value at a guarantee date is the full value of the units including reversionary bonus added to date.

The guarantee dates are the 7th and subsequent policy anniversaries.

(v) No increments can be made to the policy.

### (3) Guaranteed Insurability Options

(a) For policies previously written in BA, a reserve of £0.44m is established to cover the cost of guaranteed insurability options. This reserve is aggregated using data as at 31 December 2009 and it is calculated as 5% of the office premiums plus 0.1% of the sum at risk for these policies.

No business that was previously written in Century contains any guaranteed insurability, continuation or conversion options.

(b) The total sum assured for policies with guaranteed insurability, continuation and conversion options is less than £1bn.

### (4) Other Guarantees and Options

For BA endowments issued from 6 April 2000, the maturity value is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

| Product | Basic Reserve | Spread of outstanding durations | Guarantee Reserve | Guarantee Amount | In force premiums |
|---|---|---|---|---|---|
| | £m | | £m | £m | £m |
| Ordinary Branch Endowment | 13.9 | 1-20 | 2.5 | 21.8 | 1.4 |

Policyholders may not make increments to these policies.

## 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 after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £15.7m. This is composed of the following elements.

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.4 |
| Explicit allowances for other maintenance expenses | 1.9 |
| Implicit allowances | 13.4 |

### (2) Implicit Allowances

The basis for calculating the implicit allowances within 6 (1) is outlined in section 4, the main elements of the calculation being:

(a) the margin between the office premium and the net premium for prospectively valued contracts where the net premium method has been employed;

(b) margins expressed as a percentage of certain non-linked reserves e.g. certain single premium and paid up assurances where a net premium valuation method has been employed;

(c) allowance for investment management charges which is calculated as the expected investment management charge for the next financial year applied to the mathematical reserves in Form 50;

(d) The expenses for UWP business as set out in the new MSA with PGMS.

## (3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months and the maintenance expense in Form 43 line 14 are shown in the table below. Due to the significant run-off rate of the business, expense loadings available for the coming year would be expected to be below the actual level of expenses incurred in the past year.

| | F43.14 | table 6(1) | ratio |
|---|---|---|---|
| **Homogeneous risk group** | **(a)**<br>**£m** | **(b)**<br>**£m** | **(a)/(b)** |
| Policies previously written in BA | 22.5 | 15.5 | 145% |
| Policies previously written in Century Life | | 0.1 | 0% |
| Total | 22.5 | 15.7 | 144% |

The difference between the expenses in line.14 of Form 43 and the expenses in table 6(1) can be explained by the following.

- The investments expenses allowances in table 6(1) above are only based on the reserves held and ignore the surplus assets in the Fund (£2.1m of the difference).
- The run off of the business each year. The BWP Fund is closed to new business so the modelled expenses in the 12 months following the valuation date will be lower than actually incurred in the previous year (£1.7m of the difference).
- The expenses in line. 14 of Form 43 include performance linked investment expenses which are not allowed in investment expenses allowances in table 6(1) (£2.5m of the difference)

After adjusting for these other expenses the expense loadings are not materially different to the expenses in Form 43.

## (4) New Business Expense Overrun

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

## (5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. An additional reserve of £3.7m is established to cover the risk that there is a one-off increase in per policy charges when the current management services agreement is reviewed in 2014.

The equivalent reserve held at the previous valuation was £4.3m

### (6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

The mathematical reserves are mostly in sterling and are mostly matched by assets in sterling realisable in the United Kingdom.

The table shows the results.

| Currency | Mathematical Reserves | Backed by assets |
|---|---|---|
| | £m | £m |
| Sterling (£) | 2,932.7 | 2,932.7 |
| Other currencies | 19.3 | 19.3 |
| Total | 2,952.0 | 2,952.0 |

### (2) Other Currency Exposures

See paragraph 7 (1).

### (3) Currency Mismatching Reserve

A sub-fund of euro-denominated assets is maintained in respect of euro-denominated liabilities. There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

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

PLL is a realistic basis company and therefore the resilience capital requirement does not apply.

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

No applicable

### (6) Resilience Capital Requirement

Not applicable

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

No reserve is required for mismatching. Liabilities are analysed by duration and currency and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding 0.1% of the mathematical reserves (i.e. £2.9m) are:

| Description | Reserve |
|---|---|
| | £m |
| Data | 10.8 |
| Litigation | 6.5 |
| Project and other costs | 6.5 |
| Pensions Review | 14.1 |
| MSC Expense Review | 3.7 |
| VAT | 13.4 |
| Pension Scheme | 24.0 |
| Asset Management Services | 3.1 |

Data

The provision for future unknown future data issues is calculated using Net Asset Values (NAV) restated as at 30 June 2013. The provision is a percentage of the net asset value of each fund. The percentage is harmonised at 0.25%.

Pensions Review

Pensions Review reserve is calculated on an individual policy basis using the outstanding pension review cases as at September 2012.

VAT

This covers the risk that new EU legislation may come into effect meaning that VAT needs to be applied to the charges made by external outsourcers. However, the date the proposal is expected to be agreed is uncertain as it needs the support of all EU member states.

The probability of the new legislation coming into effect has been set at 100%. The provision assumes that this change comes into effect in 2014. The VAT liability is assumed to be 15.0% (20% less 5% recoverable by outsourcers).

The provision at the previous valuation was £11.5m.

Pension Scheme Reserve

To cover Pension Scheme longevity risks, a Regulatory Peak provision of £25.6m is retained in PLL. This provision has reduced significantly (was £50.0m at previous valuation) reflecting the reduced risk associated with this exposure as measured by the ICA risk capital at 31 December 2012. Of this £25.6m provision, £18.2m applies to this fund. In addition to this, a further £8.0m provision for PLL (£5.7m applies to this fund) is held in respect of a payment that is expected to fall due under the longevity indemnity following the last triennial scheme valuation.

An additional reserve of £3.0m was held for credit default provision at 31 December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

The treaty now only includes unit linked stakeholder pensions business.

### (1) Facultative Reinsurance

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

### (2) Reinsurance Treaties

Not applicable.

## 10. REVERSIONARY (OR ANNUAL) BONUS

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | % | % | % |
| **Policies previously written in BA** | | | | |
| Conventional | | | | |
| Assurances | 161.3 | 0.477% | 0.466% | 0.477% |
| Life Deferred Annuities | 15.5 | 0.855% | 0.836% | 0.855% |
| Pensions Deferred Annuities | 74.6 | 1.052% | 1.012% | 1.052% |
| Unitised With-Profits | | | | |
| Life Regular Premium | 4.5 | 0.000% | 0.000% | 0.000% |
| Life Single Premium | 71.7 | 2.000% | 0.000% | 2.000% |
| Pensions | 2,280.7 | 2.500% | 1.000% | 2.500% |
| Irish life - Euro denominated | 19.3 | 1.760% | 1.760% | 1.760% |
| | | | | |
| New WP bond (smoothed returns) | 5.6 | 4.590% | 3.080% | 4.590% |
| WP annuity | 11.5 | 4.500% | 2.720% | 4.500% |
| | | | | |
| **Policies previously written in Century** | | | | |
| Ex - Sentinel | | | | |
| Simple Bonus | 6.6 | 4.75% | 4.75% | 4.75% |
| Compound - assurances | 0.2 | 3.80%/3.80% | 3.80%/3.80% | 3.80%/3.80% |
| Compound - deferred annuities | 1.7 | 3.80%/3.80% | 3.80%/3.80% | 3.80%/3.80% |
| Ex-NEL | | | | |
| Simple Bonus | 6.5 | 6.00% | 6.00% | 6.00% |
| Compound Bonus | 4.7 | 6.00% | 6.00% | 6.00% |
| Ex-Prosperity | | | | |
| All contracts | 4.5 | 3.35%/4.00% | 3.35%/4.00% | 3.35%/4.00% |

Notes

(a) The unitised with-profits bonus is the percentage addition per annum to basic and bonus units in force as at 31 December and allows for the period the units had been in force during that year.

(b) The reversionary bonus for conventional business previously written in BA is a simple bonus scale where the addition for the year depends on the duration in force.

(c) The smoothed return allocated to the Britannic With Profits Bond is declared quarterly and varies by unit series which is based on policy date of commencement and rate shown is the weighted average applied.

The average declared return applied for the with-profits annuity was 4.50% and average guaranteed uplift applied for 2013 was 3.48%.

# Phoenix With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

**Unitised With Profit Bond**

These policies were sold between June 1996 and September 2001.

Separate MVRs are calculated for each month of entry. No MVRs were applied during 2013.

**Lifestyle Bond**

These policies were sold between February 2001 and December 2001.

Separate MVRs are calculated for each month of entry. No MVRs were applied during 2013 for any months of entry.

**UK With Profit Bond (Pre 1997)**

These policies were sold in various different tranches between January 1992 and December 1996.

Separate MVRs are calculated for each tranche. No MVRs were applied during 2013 for any months of entry.

.

**Isle of Man With Profit Bond (Pre 1999)**

These policies were sold between December 1992 and December 1998.

Separate MVRs are calculated for each tranche. No MVRs were applied during 2013 for any months of entry.

**Living Pensions**

The following products within the Living Pensions range have a unitised with-profits option:

- Living Pensions Personal Pension
- Living Pensions Personal Option Policy
- Living Pensions Top Up Pension

These policies were sold between April 1996 and December 1996 although remained open to increments until April 2001.

For these policies, separate MVRs are calculated for each year of entry. No MVRs were applied during 2013.

**Unitised With-Profits Pensions**

The following products within the unitised with-profits pensions range have a unitised with-profits option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme

- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

These policies were sold between January 1995 and April 2001 although remain open to increments.

For these policies, separate MVRs are calculated for each year of entry. No MVRs were applied during 2013.

**Pensions Solutions**

The following products within the Pensions Solutions range have a unitised with-profits option:

- Individual Personal Pension Plan
- Group Personal Pension Plan
- Contracted-in Money Purchase Plan
- Executive Pension Plan
- Trustee Investment Plan

These policies were sold between April 2001 and December 2002 although remain open to increments.

Separate MVRs are calculated for each month of entry. No MVRs were applied to any months of entry between April 2001 and December 2002 when the products were sold, nor to increments after December 2002.

**Growth Protector Fund**

For these policies, separate MVRs are calculated for each year of entry. No MVRs were applied during 2013.

### (2) Premiums on Reviewable Protection Policies

There were no changes to premiums on non-linked reviewable protection policies since the previous valuation date. The amount of the mathematical reserves at the valuation date was £0.6m.

### (3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

### (4) Service Charges on Linked Policies

The linked policies that were previously in the Fund are now in the Non Profit Fund and the changes in charges are disclosed in that section of the abstract.

### (5) Benefit Charges on Linked Policies

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

### (6) Accumulating With-Profits Charges

The following expenses, which are notionally charged to specimen policy asset shares when determining terminal bonus or market value reductions for accumulating with-profits policies, have changed:

Annual maintenance expenses (net of policy fee where applicable), which changed from £54.34 to £57.49.

Charges apply to all accumulating with-profits business, except Lifestyle Bond. The mathematical reserves at the valuation date amount to £888.2m.

### (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

M & G Securities Limited - Authorised Unit Trust

The Company receives a 1% discount on the cost of purchasing units in excess of £1,000. Policyholders do not benefit from this discount. There is no discount to the Company on the sale of units. The company does not receive any rebate of the annual management charge on its holdings in the unit trust.

## 4. VALUATION BASIS

### (1) Valuation Methods

The valuation methods used are as follows:

<u>Gross Premium Method</u>

Reserves for policies other than for those products included in the section "Accumulating With-Profits Policies" or where the gross mathematical reserves and gross annual premium do not exceed the lesser of £10m or 1% of the total gross mathematical reserves have been established using a prospective gross premium method applied to each policy.

<u>Accumulating With-Profits Policies</u>

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

(i) the discounted value of:

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

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

(ii) the lower of:

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

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

Calculation Notes

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

## (2) Valuation Interest Rates

The valuation interest rates used are as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Valuation Interest Rates – Life | | |
| With-Profits – Endowments | 1.63% | 1.92% |
| With-Profits – Other | 1.48% | 1.81% |
| With-Profits Bond | 1.48% | 1.81% |
| With-Profits Deferred Annuity | | |
| - Regular Premium | 1.62% | 1.96% |
| - Single Premium/ Paid-Up Initial Rate | 2.44% | 3.01% |
| - Single Premium/ Paid-Up Reinvestment Rate | 3.22% | 2.26% |
| Non Profit – Endowments | 1.64% | 2.14% |
| Non Profit – Other | 1.49% | 1.23% |
| Non Profit Deferred Annuity | 3.22% | 2.26% |
| Annuities in Payment (new GAF) | 2.93% | 2.87% |
| Annuities in Payment (old GAF) | 3.26% | 3.19% |

| | | |
|---|---|---|
| Valuation Interest Rates – Pension | | |
| With-Profits Deferred Annuity | | |
| - Regular | 1.62% | 1.96% |
| - Single Premium/ Paid-Up Initial Rate | 2.44% | 3.01% |
| - Single Premium/ Paid-Up Reinvestment Rate | 3.22% | 2.26% |
| Profit Plus Fund - accumulating units | 1.90% | 2.26% |
| - initial units | 1.65% | 2.01% |
| With-Profits Group Endowments | 1.62% | 1.96% |
| Other Assurances | 1.62% | 1.96% |
| Annuities in Payment | 3.26% | 3.19% |
| Non Profit Assurances | 3.17% | 2.26% |
| Non Profit Deferred Annuities | 3.17% | 2.26% |
| RPI Linked Deferred Annuities* | -0.31% | -0.55% |
| RPI Linked Annuities in Payment* | -0.31% | -0.55% |
| PHI | 2.03% | 1.70% |

* Valuation interest rates are real rates and not nominal rates.

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

The methodology for setting the valuation interest rate for the index linked annuities does not utilise the waiver, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

## (4) Mortality Basis

The mortality bases used for the valuation were:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Endowment and Whole of Life | 80.6% AM92<br>83.8% AF92 | 80.6% AM92<br>83.8% AF92 |
| Term Assurances - aggregate | 71.5% TM92<br>93.2% TF92 | 71.5% TM92<br>93.2% TF92 |
| Term Assurances – non-smoker | 66.0% TM92<br>77.4% TF92 | 66.0% TM92<br>77.4% TF92 |
| Term Assurances – smoker | 132.0% TM92<br>148.7% TF92 | 132.0% TM92<br>148.7% TF92 |
| Pensions pre-vesting and pension term assurances | 48.3% AM92<br>54.5% AF92 | 48.3% AM92<br>54.5% AF92 |
| Life Annuities currently in Payment | Modified IM80 c2010<br>Modified IM80 c2010 | Modified IM80 c2010<br>Modified IM80 c2010 |
| Pension Deferred Annuities post vesting | 95.0% PCMA00 with CMI 2012 improvement factors<br>104.5% PCFA00 with CMI 2012 improvement factors | 95.0% PCMA00 with CMI 2009 improvement factors<br>102.1% PCFA00 with CMI 2009 improvement factors |
| Pension Immediate Annuities | 95.0% PCMA00 with CMI 2012 improvement factors<br>104.5% PCFA00 with CMI 2012 improvement factors | 95.0% PCMA00 with CMI 2009 improvement factors<br>102.1% PCFA00 with CMI 2009 improvement factors |

Life annuities currently in payment

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

| Age | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Males | Females | Males | Females |
| 65 | 23.21 | 25.72 | 23.07 | 25.70 |
| 75 | 14.84 | 16.55 | 14.72 | 16.53 |

Pension annuities currently in payment

Specimen percentages of the base tables used for the current year (and previous year) valuation are:

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| At age 65 | 62.3% | 75.1% | 65.7% | 76.0% |
| At age 75 | 57.8% | 68.0% | 59.0% | 69.1% |
| At age 85 | 68.2% | 79.0% | 69.3% | 80.5% |
| At age 95 | 82.2% | 90.2% | 81.1% | 91.9% |

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

| Males | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 65 | 2.20% | 2.51% | 2.02% | 2.50% | 2.50% | 2.50% |
| 75 | 2.56% | 1.96% | 2.45% | 2.44% | 2.50% | 2.50% |
| 85 | 3.28% | 1.66% | 1.64% | 1.94% | 1.94% | 1.94% |
| 95 | 0.88% | 1.52% | 1.35% | 1.35% | 1.39% | 1.39% |

| Females | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 65 | 2.13% | 2.76% | 2.33% | 2.50% | 2.50% | 2.50% |
| 75 | 2.69% | 2.38% | 2.63% | 2.48% | 2.50% | 2.50% |
| 85 | 2.94% | 1.93% | 1.87% | 1.96% | 1.94% | 1.94% |
| 95 | 1.34% | 1.49% | 1.39% | 1.38% | 1.39% | 1.39% |

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

| Age | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Males | Females | Males | Females |
| 65 | 24.54 | 25.74 | 24.49 | 25.59 |
| 75 | 15.01 | 15.99 | 15.04 | 15.83 |

<u>Deferred pension contracts (post vesting) including guaranteed annuity options.</u>

Sample percentages of the base tables used for the current year (and previous year) valuation are:

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| At age 55 | 72.2% | 83.2% | 76.3% | 83.1% |
| At age 65 | 62.3% | 75.1% | 65.7% | 76.0% |
| At age 75 | 57.8% | 68.0% | 59.0% | 69.1% |
| At age 85 | 68.2% | 79.0% | 69.3% | 80.5% |
| At age 95 | 82.2% | 90.2% | 81.1% | 91.9% |

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

| Males | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 55 | 2.77% | 1.47% | 2.50% | 2.50% | 2.50% | 2.50% |
| 65 | 2.20% | 2.51% | 2.02% | 2.50% | 2.50% | 2.50% |
| 75 | 2.56% | 1.96% | 2.45% | 2.44% | 2.50% | 2.50% |
| 85 | 3.28% | 1.66% | 1.64% | 1.94% | 1.94% | 1.94% |
| 95 | 0.88% | 1.52% | 1.35% | 1.35% | 1.39% | 1.39% |

| Females | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 55 | 2.48% | 2.14% | 2.50% | 2.50% | 2.50% | 2.50% |
| 65 | 2.13% | 2.76% | 2.33% | 2.50% | 2.50% | 2.50% |
| 75 | 2.69% | 2.38% | 2.63% | 2.48% | 2.50% | 2.50% |
| 85 | 2.94% | 1.93% | 1.87% | 1.96% | 1.94% | 1.94% |
| 95 | 1.34% | 1.49% | 1.39% | 1.38% | 1.39% | 1.39% |

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

| Age | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Males | Females | Males | Females |
| 45 | 27.57 | 28.75 | 27.60 | 28.61 |
| 55 | 26.03 | 27.26 | 26.02 | 27.13 |

## (5) Morbidity Basis

Not applicable

## (6) Expense Basis

The following table shows the gross attributable expenses per policy.

| Product Group | Per Policy Expense | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | £ | £ |
| Annuity (400) | 27.11 | 25.72 |
| All other policies | 57.49 | 54.54 |

The expenses on life business are netted down for tax at 20%.

There are no Zillmer adjustments for the policies to which the above expenses apply.

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. The MSA specifies fee inflation is RPIX +1.0% at 1 January each year.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

| Investment expenses (Gross) | Current valuation | Previous valuation |
|---|---|---|
| UWP Bond 4 & Lifestyle Bond | 0.136% | 0.136% |
| Other Conventional With-Profits | 0.162% | 0.162% |
| Non Profit business | 0.080% | 0.080% |

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £3.3m. Previous to the 31st of December 2011 valuation these additional services had been allowed for implicitly within the investment expense assumption. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions on the residual linked business as the reserve held is the face value of the units.

Future expenses are assumed to increase at 4.55% p.a.

## (8) Future Bonus Rates

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

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

| Product | 2014 | 2015 | 2016+ |
|---|---|---|---|
| UWP Bond (pre August 2000) | 0.50% | 0.08% | 0.00% |
| UWP Bond (post August 2000) | 1.00% | 0.17% | 0.00% |
| Lifestyle Bond | 1.00% | 0.17% | 0.00% |
| Profit Plus Fund | 0.10% | 0.02% | 0.00% |
| UWP Pensions | 1.50% | 0.25% | 0.00% |

and for the UK With Profits Bonds (pre 1997) the rates are:

| Tranche | 2014 | 2015 | 2016+ |
|---|---|---|---|
| 1 | 2.25% | 0.25% | 0.00% |
| 2a | 2.75% | 0.75% | 0.00% |
| 2b | 2.75% | 0.75% | 0.00% |
| 3a | 4.50% | 2.50% | 0.50% |
| 3b | 5.25% | 3.25% | 1.25% |
| 4 | 1.75% | 0.00% | 0.00% |
| 5 | 2.25% | 0.25% | 0.00% |
| 6 | 2.50% | 0.50% | 0.00% |
| 6a | 3.25% | 1.25% | 0.00% |
| 7 | 2.75% | 0.75% | 0.00% |
| 8 | 3.50% | 1.50% | 0.00% |
| 8a | 2.50% | 0.50% | 0.00% |
| 8b | 4.25% | 2.25% | 0.25% |
| 9 | 1.50% | 0.00% | 0.00% |
| 10 | 1.75% | 0.00% | 0.00% |

## (9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

## (10) Other Material Assumptions

Not applicable

## (11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities except as described in paragraph 5 (1) (a) below.

A provision has been established equal to the time value of the swaptions, which are held in connection with guaranteed annuity options.

### (12) Effect on Reserves of Changes in INSPRU Valuation Rules

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

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

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

All policyholders will exercise the option.

The percentage of the cash sum which will be used to purchase the annuity on guaranteed terms will be:

30% for Convent Scheme contracts
95% for Retirement Plans and Personal Retirement Policies (post 1978)

The expenses of payment are 3.00% of the he value of the annuity.

For Personal Retirement Policies issued between 1971 and 1978, where the policy only provides for a proportion of the benefit to be taken on guaranteed terms, the assumed proportion is in accordance with the policy conditions.

The liability is then increased, if necessary, so that it is not less than the economic value of the options determined from swaption prices assuming the same demographic assumptions. At the valuation date no increase was required.

| Product Name | Basic Reserve | Spread of outstanding durations | Guarantee Reserve | Guaranteed Annuity Rate (Male at 65) | Increments | Form of annuity | Retirement Ages |
|---|---|---|---|---|---|---|---|
| 0 | £m | Years | £m | 0 | 0 | 0 | 0 |
| Personal Retirement Plan (Pre 1978) | 8.0 | 0 to 13 | 5.2 | 10.74% | No | Level – Single Life<br>Twice annually in arrears<br>No guarantee period | 60 to 75 |
| Personal Retirement Plan (Post 1978) | 145.0 | 0 to 33 | 85.7 | 9.00% | No | Level – Single Life<br>Annually in arrears<br>No guarantee period | 60 to 75 |
| Personal Retirement Plan (Post 1988) | 87.2 | 0 to 39 | 46.7 | 9.00% | No | Level – Single Life<br>Annually in arrears<br>No guarantee period | 50 (*) to 75 |
| Personal Retirement Plan (Eire) | 17.7 | 0 to 26 | 12.0 | 9.25% | No | Level – Single Life<br>Monthly in advance<br>Five year guarantee period | 50 to 75 |
| Retirement Plan | 78.8 | 0 to 28 | 71.5 | 11.11% | No | Level – Single Life<br>Monthly in advance<br>Five year guarantee period | 50 (*) to 75 |
| Convent Schemes | 4.9 | 0 to 18 | 0.9 | 10.04% | Yes (**) | Level – Single Life<br>Monthly in advance<br>No guarantee period | 60 to 70 |
| Philips Scheme | 5.8 | 0 to 27 | 3.6 | 10.00% | Yes (**) | Level – Single Life<br>Monthly in advance<br>Five year guarantee period | 60 to 65 |

(*)From age 55 for retirements from 2011. (**) There is no guaranteed annuity rate for increments.

## (2) Guaranteed Surrender and Unit-linked Maturity Values

Uniflex

(a) For Uniflex policies (endowment-type policies maturing at age 65, included in Endowment assurance in Form 51) the basis for calculating surrender values on the 10th or any subsequent anniversary of the commencement of the policy is guaranteed.

The guaranteed surrender value available at the 10th or any subsequent policy anniversary is

[ Basic Sum Assured + Reversionary Bonus ] × t / n

where t = duration at the policy anniversary (in years)
n = original policy term (in years)

(b)

| **(i) Product Name** | **Uniflex Endowment** |
|---|---|
| (ii) Basic Reserve | £18.9m |
| (iii) Spread of Outstanding Durations | 0 to 25 |
| (iv) Guarantee Reserve | £0.1m |
| (v) Guaranteed Amount | £18.3m |
| (vi) MVR Free Conditions | MVRs do not apply |
| (vii) In Force Premiums | £0.3m |
| (viii) Increments | No |

UWP Bond

(a) There is a "money back" guarantee on full surrender on the 10th policy anniversary for bonds commencing from August 2000 onwards.

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

(b)

| **(i) Product Name** | **UWP Bond Version 4** | **Lifestyle Bond** |
|---|---|---|
| (ii) Basic Reserve | £28.2m | £26m |
| (iii) Spread of Outstanding Durations | 0 to 3 years for guarantee | 0 to 1 years for guarantee |
| (iv) Guarantee Reserve | £0.0m | £0.0m |
| (v) Guaranteed Amount | £28.2m | £26m |
| (vi) MVR Free Conditions | On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits | On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits |
| (vii) In Force Premiums | N/A | N/A |
| (viii) Increments | Yes | Yes |

Personal Retirement Policy / Personal Retirement Plan

(a) Policyholders may elect to retire at ages other than the retirement age selected at outset, on a guaranteed cash option basis, which varies with the actual retirement age. The ages that can be selected depends on the product.

(b)

| (i) Product Name | Personal Retirement Policy (Pre 1978) | Personal Retirement Policy (Post 1978) | Personal Retirement Plan (Post 1988) |
|---|---|---|---|
| (ii) Basic Reserve (*) | £13.2m | £230.7m | £133.9m |
| (iii) Spread of Outstanding Durations | 0 to 13 years | 0 to 33 years | 0 to 39 years |
| (iv) Guarantee Reserve (**) | £0.0m | £0.0m | £0.0m |
| (v) Guaranteed Amount | N/A | N/A | N/A |
| (vi) MVR Free Conditions | N/A | N/A | N/A |
| (vii) In Force Premiums | £0.02m | £0.82m | £0.66m |
| (viii) Increments | No | No | No |

(*) The basic reserve above includes the guaranteed annuity reserve.
(**) The reserves established exceed the value of the liabilities if an alternative retirement date is selected.

Unitised With-Profits Pensions

The following products within the unitised with-profits pensions range have a unitised with-profits option:

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

(a) Provided certain conditions apply, the policyholder can elect to take early retirement before the selected retirement age without penalty.

(b)

| (i) Product Name | UWP Pensions |
|---|---|
| (ii) Basic Reserve | £67.2m |
| (iii) Spread of Outstanding Durations | 0 to 36 years |
| (iv) Guarantee Reserve | £3.2m |
| (v) Guaranteed Amount | £64.5m |
| (vi) MVR Free Conditions | MVRs do not apply on retirement within 3 years of the selected retirement date, provided there has been a regular investment in the UWP Fund for at least 5 years, on death and ill health early |
| (vii) In Force Premiums | £0.9m |
| (viii) Increments | Yes – existing policies and new members to existing plans in the case of group schemes |

## (3) Guaranteed Insurability Options

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

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

### (4) Other Guarantees and Options

None.

## 6. EXPENSE RESERVES

### (1) Aggregate Expense Loadings

The aggregate amount of expense contributions loadings, grossed up for taxation where appropriate, expected to arising arise during the 12 months following the valuation date from explicit and implicit margins reserves made in the valuation basis are to meet expenses in fulfilling contracts in force at the valuation date is £16.4m. This is composed of the following elements:

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.4 |
| Explicit allowances for other maintenance expenses | 11.5 |
| Implicit allowances | 4.2 |
| Non-attributable expenses | 0.3 |

### (2) Implicit Allowances

The implicit allowance has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

### (3) Form 43 Comparison

Of the aggregate amount in paragraph 6 (1), £21.0m would be reported on line 14 of Form 43. The balance of the aggregate amount in paragraph 6 (1) would be reported on line 15 of Form 43. The table below shows the difference between the amount in paragraph 6 (1) and that reported on line 14 of Form 43.

| | F43.14 | table 6(1) | Difference |
|---|---|---|---|
| **Homogeneous risk group** | **(a) £m** | **(b) £m** | **(a)- (b)** |
| All products | 21.0 | 16.4 | 4.6 |
| Total | 21.0 | 16.4 | 4.6 |

The expense loadings in table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in form 43 line 14, though this is partially offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally, Form 43 Line 14 includes performance related investment fees and service fees of £3.7m which is not included in table 6(1).

### (4) New Business Expense Overrun

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

### (5) Maintenance Expense Overrun

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

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

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

### (6) Non-attributable Expense Reserves

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

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

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

| Currency | Mathematical Reserves £m | Backed by assets £m |
|---|---|---|
| Sterling (£) | 3,294.8 | 3,294.8 |
| Other currencies | 95.2 | 95.2 |
| Total | 3,390.0 | 3,390.0 |

### (2) Other Currency Exposures

See table in paragraph 7 (1).

### (3) Currency Mismatching Reserve

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

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

Not applicable

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

Not applicable

### (6) Resilience Capital Requirement

Not applicable

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

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

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

| Description | Reserve |
|---|---|
| | £m |
| GAO Project - Analysis of Claims Values | 3.7 |
| MER | 3.8 |
| Data | 10.7 |
| Litigation | 6.4 |
| Future Projects | 6.5 |
| Asset Management Services | 3.4 |
| Outsourcer Expenses Risk Transfer | 10.5 |

Data contingency reserve

Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

Outsourcer Expenses Risk Transfer

This provision is held as part of an outsourcer enterprise risk transfer to offset an accounting prepayment asset held to cover the transfer of risk payments made to Diligenta

An additional reserve of £5.1m was held for credit default provision at 31 December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

### (1) Facultative reinsurance

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

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

### (2) Reinsurance Treaties

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

**Munich Re:**

(c) Certain term assurances are 100% reinsured on original terms.

(d) The premiums payable by the insurer during the year are £11.5m.

(e) There are no deposit back arrangements.

(f) The treaty is closed to new business.

(g) There are no undischarged obligations.

(h) The amount of mathematical reserves ceded under the treaty at the valuation date was £131.2m.

(i) New business only arises from incremental policies or the exercising of options under existing contracts. Where such business is unit-linked then all of the business is reinsured and the Company's retention is nil.

(j) The reinsurer is authorised to carry on insurance business in the UK.

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

(l) No provision has been established for credit risk for any reassurances with other companies in The Phoenix group.

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

(n) The treaty is not a financing arrangement.

## 10. REVERSIONARY (OR ANNUAL) BONUS

For policies entitled to participate, reversionary bonuses (except when otherwise specified) were allotted at the following rates.

### (1) Conventional With-Profits Policies

The mathematical reserves and reversionary bonus rates are as follows:

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous Year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | % | % | % |
| UK Life (excluding Uniflex) | 471.8 | 1 / 1 | 0.25 / 0.25 | 0.00 |
| Uniflex Endowment Assurances | 18.9 | 1 / 1 | 0.2 / 0.2 | 0.00 |
| Convent Schemes | 5.8 | 2 / 2 | 1.5 / 1.5 | 0.00 |
| Eire Life | 4.9 | 1 / 1 | 0.25 / 0.25 | 0.00 |
| UK Pensions | 483.5 | 2 / 2 | 1.5 / 1.5 | 0.00 |
| Eire Pensions | 34.3 | 1 / 1 | 1 / 1 | 0.00 |

(*) The first rate applies to the sum assured and the second rate to the attaching bonus.

### (2) Accumulating With-Profits Policies (except With Profit Bonds)

The mathematical reserves and reversionary bonus rates are as follows:

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous Year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | % | % | % |
| UWP Pensions | 66.7 | 1.00 | 1.00 | 0.00 |
| Profit Plus Fund | 468.7 | 0.10 | 0.10 | 0.00 |
| PlusPlan | 159.2 | 0.10 | 0.10 | 0.00 |

**(3) UK With Profits Bond (pre 1997)**

The mathematical reserves and reversionary bonus rates are as follows:

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous Year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | % | % | % |
| 1 | 4.6 | 4.25 | 3.00 | 4.25 |
| 2a | 4.6 | 4.75 | 4.00 | 4.75 |
| 2b | 0.6 | 4.75 | 3.75 | 4.75 |
| 3a | 17.4 | 6.50 | 4.50 | 6.50 |
| 3b | 1.6 | 7.25 | 5.25 | 7.25 |
| 4 | 11.0 | 3.75 | 2.75 | 3.75 |
| 5 | 4.3 | 4.25 | 3.50 | 4.25 |
| 6 | 1.8 | 4.50 | 2.50 | 4.50 |
| 6a | 3.7 | 3.25 | 3.25 | 3.25 |
| 7 | 1.1 | 4.75 | 4.00 | 4.75 |
| 8 | 3.3 | 5.50 | 4.50 | 5.50 |
| 8a | 4.0 | 4.50 | 3.25 | 4.50 |
| 8b | 1.6 | 6.25 | 4.25 | 6.25 |
| 9 | 8.0 | 3.50 | 2.50 | 3.50 |
| 10 | 14.1 | 3.75 | 2.25 | 3.75 |
| TOTAL | 81.6 | | | |

**(4) Unitised With-Profits Bonds**

The mathematical reserves and reversionary bonus rates are as follows:

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous Year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | % | % | % |
| 2 | 19.0 | 0.50 | 0.50 | 0.50 |
| 3 | 53.7 | 0.50 | 0.50 | 0.50 |
| 4 | 28.2 | 1.00 | 1.00 | 1.00 |
| Lifestyle | 26.0 | 1.00 | 1.00 | 1.00 |
| TOTAL | 126.9 | | | |

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. Within a bonus series, bonus rates do not vary.

# 90% With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

During the year, market value reductions were applied to the ex-SLUK unitised with-profits pension policies as described below:

| Month | MVR |
|---|---|
| Jan-13 | 0.0% |
| Feb-13 | 0.0% |
| Mar-13 | 0.0% |
| Apr-13 | 0.0% |
| May-13 | 0.0% |
| Jun-13 | 0.0% |
| Jul-13 | 2.0% |
| Aug-13 | 0.0% |
| Sep-13 | 0.0% |
| Oct-13 | 0.0% |
| Nov-13 | 0.0% |
| Dec-13 | 0.0% |

The market value reduction is a percentage of units applied in addition to any final bonus.

### (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

### (1) Valuation Methods

Conventional with-profits

A net premium valuation has been used to value the business in the fund.

### (2) Valuation Interest rates

The interest rates used for life business in the fund were as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Life | 2.40% | 2.40% |
| Pension | 3.00% | 3.00% |

### (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

**(4) Mortality Basis**

The mortality tables used for each product group are shown in the following table:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Ex-SLUK OB | 71.5% AM92 ult<br>Females as above -3yrs | 71.5% AM92 ult<br>Females as above -3yrs |
| Ex-SLUK UWP | 82.5% AM92 ult<br>Females as above -3yrs | 82.5% AM92 ult<br>Females as above -3yrs |
| Ex-SLUK IB | 28% ELT15(M)<br>Females as above | 28% ELT15(M)<br>Females as above |
| Ex-BULA | 99% AM92 ult<br>121% AF92 ult | 99% AM92 ult<br>121% AF92 ult |

Note that for all the above business, no additional mortality has been incorporated within the valuation and no separate reserve has been determined in respect of AIDS.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

**(5) Morbidity Basis**

There are no significant groups of products where morbidity assumptions are used.

**(6) Expense Basis**

For the current valuation the investment expense assumptions agreed with the assets manager are unchanged. The base fees are as follows:

| Investment Expenses | Current valuation | Previous valuation |
|---|---|---|
| | % | % |
| Life | 0.08 | 0.08 |
| Pension | 0.10 | 0.10 |

The investment expenses for life fund business have been netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £0.2m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

**Policies previously written in SLUK**

For premium-paying policies, where a net premium valuation is performed, the net premium is restricted to 90% of the office premium.

For unitised with-profits business, policies are written in the Non Profit Fund with the liability for the unitised with-profits investment element transferred to the 90% With-Profits Fund. All expenses are met by the Non Profit Fund.

**Policies previously written in BULA (now ACI)**

The following table shows the zillmer adjustments for premium paying policies where the reserve was calculated using the net premium method of valuation:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| | % | % |
| CWP savings endowment (120) | 1.65% | 1.65% |

The zillmer adjustments on life business are netted down for tax at 20%.

**(7) Unit Growth Rates and Expense Inflation**

There are no unit growth rate assumptions as there is no linked business.

All conventional business is valued on a net premium basis and expenses on unitised business are met by the Non Profit Fund so there are no expense inflation assumptions.

### (8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for conventional life business.

### (9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

### (10) Other Material Assumptions

At this valuation, it has been assumed that a proportion of in force Industrial Branch whole of life policies at each age will never result in a claim, because death has already occurred and no claim has been made. The write-off factors applied to allow for this are based on an investigation carried out during 2013, and reserves have been released as a result.

### (11) Allowance for Derivatives

Not applicable

### (12) Effects of Basis Changes

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

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

There are no significant groups of business with guaranteed annuity rate options.

### (2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

### (3) Guaranteed Insurability Options

Not applicable

### (4) Other Guarantees and Options

For ex-SLUK unitised with-profits pension policies, there is a guarantee that the unit price will increase at not less than 4%p.a. An additional reserve of £3.8m has been established to meet the expected future cost of this guarantee. This has been calculated as the additional reserve required with respect to the amount by which the guaranteed unit growth rate, together with the management charge, exceeds the valuation interest rate.

## 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 after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £0.3m. This is composed of the following elements.

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.0 |
| Explicit allowances for other maintenance expenses | 0.0 |
| Implicit allowances | 0.3 |

**(2) Implicit Allowances**

Implicit allowances for expenses include the difference between office and net premiums for regular premium policies which are valued on a net premium basis.

The implicit allowance for investment expenses has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

**(3) Form 43 Comparison**

The maintenance expenses in paragraph 6 (1) (£0.26m - rounded to £0.3m) differ from line 14 of Form 43 (£0.55m - rounded to £0.6m). The main factors contributing to the difference are:

- £0.05m of investment expenses on surplus
- £0.11m of expense run-off
- £0.08m of performance related investment fees.

**(4) New Business Expense Overrun**

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

**(5) Maintenance Expense Overrun**

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

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

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

**(6) Non-attributable expenses**

Not applicable – all expenses are treated as attributable.

## 7. MISMATCHING RESERVES

**(1) Analysis of Reserves by Currency**

| Currency | Mathematical Reserves | Backed by assets |
|---|---|---|
| | £m | £m |
| Sterling (£) | 65.1 | 65.1 |
| Other currencies | 0.7 | 0.7 |
| Total | 65.8 | 65.8 |

**(2) Other Currency Exposures**

Liabilities totalling £0.65m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

**(3) Currency Mismatching Reserve**

No currency mismatching reserve is necessary.

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

Not applicable

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

There are no significant territories outside the United Kingdom.

**(6) Resilience Capital Requirement**

Not applicable

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

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

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

| Description | Reserve £m |
|---|---|
| Litigation Contingency Reserve | 0.20 |
| Solvency II | 0.11 |
| Asset Management Services | 0.16 |

## 9. REINSURANCE

**(1) Facultative Treaties**

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

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

**(2) Reinsurance Treaties**

Not applicable

## 10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

| Bonus Series | Math reserves<br>£m | Reversionary Bonus Rate for Current Year<br>%SA / %RB | Reversionary Bonus Rate for Previous year<br>%SA / %RB | Total g'tee bonus for current year<br>% |
|---|---|---|---|---|
| **Ex-SLUK OB (conventional)** | | | | |
| Series A | 0.7 | 3.7% / 0% | 3.7% / 0% | 0.00% |
| Series B | 45.2 | 3.3% / 3.3% | 3.3% / 3.3% | 0.00% |
| Series C | 1.9 | 3.3% / 3.3% | 3.3% / 3.3% | 0.00% |
| **Ex-SLUK IB** | | | | |
| Pioneer Mutual | 0.4 | 15% / 0% | 13% / 0% | 0.00% |
| Stamford cash bonus | 0.6 | 5.25% / 0% | 4.25% / 0% | 0.00% |
| Other | 4.9 | 10.5% / 0% | 8.5% / 0% | 0.00% |
| **Ex-BULA** | | | | |
| Life | 4.6 | 1.5% / 2.5% | 2.5% / 3.5% | 0.00% |
| Pensions | 1.2 | 1.25% / 1.25% | 2.25% / 2.25% | 0.00% |

| Swiss Life UWP Pensions | | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous year | Total g'tee bonus for current year |
|---|---|---|---|---|
| Guaranteed bonus | | 4.00% | 4.00% | 4.00% |
| In addition to guaranteed bonus | | 0.00% | 0.00% | 0% |

For all bonus series, the first rate applies to the basic sum assured or annuity and the second rate to the attaching bonus.

For unitised with-profits policies, the reversionary bonus is added daily in the form of growth of the unit price.

# 100% With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

Not applicable as there is no unitised with-profits business in the With-Profit Fund.

### (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

### (1) Valuation Methods

Conventional with-profits
A net premium valuation has been used to value the business in the Fund.

### (2) Valuation Interest Rates

The interest rates used for life business in the fund were as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Life | 3.00% | 3.00% |

There is no pensions business in the fund.

### (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

All other assets producing income

The yield was reduced by 2.5% of the unadjusted yield.

**(4) Mortality Basis**

**Policies originally written in PAL**

The mortality tables used for each product group are shown in the following table:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Whole Life and Endowment | 85.0% AM92 | 85.0% AM92 |
| | 116.0% AF92 | 116.0% AF92 |

**Policies originally written in SLUK**

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Whole Life and Endowment | 77.0% AM92<br>Females as above -3yrs | 77.0% AM92<br>Females as above -3yrs |
| Deferred Annuities | 82.5% IMA92<br>Females as above -3yrs | 82.5% IMA92<br>Females as above -3yrs |

Allowance for mortality improvements

Mortality improvement rates for valuing the post-vesting element of the deferred annuities are as follows and are based on the CMI Medium Cohort projection basis:

| (%) | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| **40** | 2.91% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **50** | 2.91% | 2.58% | 0.00% | 0.00% | 0.00% | 0.00% |
| **60** | 2.91% | 2.58% | 2.21% | 0.00% | 0.00% | 0.00% |
| **70** | 1.78% | 1.49% | 1.21% | 0.96% | 0.00% | 0.00% |
| **80** | 1.08% | 0.89% | 0.71% | 0.57% | 0.44% | 0.00% |
| **90** | 1.67% | 0.49% | 0.40% | 0.32% | 0.26% | 0.20% |
| **100** | 0.25% | 0.21% | 0.17% | 0.14% | 0.11% | 0.09% |

Allowance for Disease

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the SLUK business in the Fund.

No explicit allowance is made for AIDS.

**(5) Morbidity Basis**

Not applicable

**(6) Expense Basis**

The following table shows the gross attributable expenses per policy.

| Product Group | Per Policy Expense | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | £ | £ |
| Ex-Phoenix Assurances | 69.45 | 67.00 |
| Ex-Swiss Life UK | 49.16 | 47.37 |

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

| Business Group | Investment Expense (gross of tax) | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | % | % |
| Life | 0.11% | 0.11% |

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

There is also a performance overlay to the base fee which allows for increased fees when the investment performance exceeds a specified target, and for fee reductions when investment performance falls short of a specified target. No allowance is made for this in the investment expense assumption because the long-term projections do not allow for any over or under performance in investment return. Instead, the impact of any performance overlay during the year will be allowed for implicitly in the investment variance in the analysis of movement.

**(7) Unit Growth Rates And Expense Inflation**

There are no unit growth rate assumptions as there is no linked business.

The expense inflation assumptions are as follows:

| Product Group | Expense Inflation per annum | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | % | % |
| Ex-Phoenix Assurances | 5.55 | 4.88 |
| Ex-Swiss Life UK | 5.55 | 4.88 |

**(8) Future Bonus Rates**

No future bonuses are assumed in the mathematical reserves for conventional life business.

**(9) Persistency Assumptions**

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

**(10) Other Material Assumptions**

There are no other material basis assumptions.

**(11) Allowance for Derivatives**

Not applicable

**(12) Effects of Basis Changes**

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

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

Not applicable

### (2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

### (3) Guaranteed Insurability Options

Not applicable

### (4) Other Guarantees and Options

Not applicable

## 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 after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £0.20m. This is composed of the following elements.

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.00 |
| Explicit allowances for other maintenance expenses | 0.09 |
| Implicit allowances | 0.11 |

### (2) Implicit Allowances

Implicit allowances for expenses include the difference between office and net premiums for regular premium policies which are valued on a net premium basis.

The implicit allowance for investment expenses has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

### (3) Form 43 Comparison

Of the aggregate amount in paragraph 6 (1), £0.32m would be reported on line 14 of Form 43. The balance of the aggregate amount in paragraph 6 (1) would be reported on line 15 of Form 43. The table below shows the difference between the amount in paragraph 6 (1) and that reported on line 14 of Form 43.

| | F43.14 | Table 6(1) | Difference |
|---|---|---|---|
| Homogeneous risk group | [a] | [b] | [a]-[b] |
| | £m | £m | £m |
| All products | 0.32 | 0.20 | 0.12 |
| Total | 0.32 | 0.20 | 0.12 |

The expense loadings in table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in form 43 line 14, though this is partially offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally, Form 43 Line 14 includes performance related investment fees of £0.1m which is not included in table 6(1).

### (4) New Business Expense Overrun

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

### (5) Maintenance Expense Overrun

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

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

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

### (6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

| Currency | Mathematical | Backed by assets |
|---|---|---|
| | £m | £m |
| Sterling (£) | 20.8 | 20.8 |
| Other currencies | 0.0 | 0.0 |
| Total | 20.8 | 20.8 |

### (2) Other Currency Exposures

There are no liabilities in other currencies.

### (3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

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

Not applicable

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

There are no significant territories outside the United Kingdom.

### (6) Resilience Capital Requirement

Not applicable

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

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

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

| **Description** | **Reserve** |
|---|---|
| | **£m** |
| Litigation | 0.10 |
| Solvency II | 0.07 |
| Fund Projection Issue | 0.50 |
| Asset Management Services | 0.14 |

Details of the other special reserves are set out below.

Litigation
Reserves for future litigation settlements and other similar costs, which is calculated with regard to past experience.

Solvency II
The provision was established in 31 December 2009 on all bases to cover the expected costs of the Solvency II project apportioned to 100%. Since 31 December 2013, £0.03m has been incurred and the total provision held under this is now £0.7m.

Fund Projection Issues
This provision is held for potential claims due to changes in the method used in projecting maturity values.

Asset Management Services
The provision at 31 December 2013 is £0.8m. The provision has been calculated by capitalising the current additional service fees; an approximate capitalisation factor of 8 is used, reflecting term of the contract/run-off of the business. The additional service fees are allocated between entities in proportion to funds under management.

## 9. REINSURANCE

### (1) Facultative Reinsurance

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

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

### (2) Reinsurance Treaties

Not applicable

### 10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

| Bonus Series | Mathematical Reserves<br>£m | Reversionary Bonus Rate for Current Year<br>% | Reversionary Bonus Rate for Previous Year<br>% | Total g'tee bonus for current year<br>% |
|---|---|---|---|---|
| Life Assurance*<br>(Ex-Swiss Life UK) | 1.7 | 3.0 | 3.0 | 0.0 |
| Deferred Annuity*<br>(Ex-Swiss Life UK) | 0.1 | 4.5 | 4.5 | 0.0 |
| Whole life & Endowment**<br>(Ex-Phoenix Assurance) | 16.8 | 5.0 / 8.0 | 5.0 / 8.0 | 0.0 |

The above bonus rates, where marked (*), apply to both the sum assured and the attaching bonus. For bonus series marked (**) the first rate applies to the sum assured and the second rate applies to the attaching bonus.

# SAL With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

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

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

Separate MVRs are calculated for each year of entry. No MVRs were applied to policies or increments during 2013.

<u>Unitised With-Profit Bonds</u>

These policies were written between June 1996 and December 1998.

Separate MVRs are calculated for each month of entry. No MVRs were applied during 2013.

<u>UWP Group Pensions</u>

Separate MVRs are calculated for each quarter year of entry. No MVRs were applied during the first half of 2013. During the second half of 2013 MVRs only applied for Group Pensions commencing between 1st April 2013 and 30th June 2013.

<u>Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan</u>

Separate MVRs are calculated for each year of entry. No MVRs were applied to policies or increments during 2013.

### (2) Premiums on Reviewable Protection Policies

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

### (3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

## (4) Service Charges on Linked Policies

The policy charges for the following linked contracts have changed since the previous valuation:

| Product | Previous Policy Charge | New Policy Charge | Percentage Increase |
|---|---|---|---|
| | £ | £ | |
| Universal Protection Plan | 3.90 | 4.05 | 3.85% |
| Mortgage Savings Plan and Regular Savings Plan | 4.59 | 4.76 | 3.85% |

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

| Contribution Type | Previous Policy Charge | New Policy Charge | Percentage Increase |
|---|---|---|---|
| | £ | £ | |
| Regular premium and increments | 0.00 | 0.00 | n/a |
| Paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan) | 2.25 | 2.35 | 4.44% |
| Paid-up policies and policies on premium holidays for Group Personal Pension Plan | 0.00 | 0.00 | n/a |
| Single premium stand alone contracts issued before 16 October 1995 | 6.35 | 6.60 | 3.94% |
| Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998 | 2.55 | 2.60 | 1.96% |
| Single premium stand alone contracts issued between 21 September 1998 and 9 April 2000 | 4.65 | 4.80 | 3.23% |
| Single premium stand alone contracts issued after 9 April 2000 | 4.05 | 4.20 | 3.70% |

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

| Contribution Type | Previous Policy Charge | New Policy Charge | Percentage Increase |
|---|---|---|---|
| | £ | £ | |
| Regular premium policies issued before 29 January 1996 | 6.35 | 6.60 | 3.94% |
| Regular premium policies issued between 29 January 1996 and 9 April 2000 | 6.10 | 6.25 | 2.46% |
| Regular premium policies issued after 9 April 2000 | 4.05 | 4.20 | 3.70% |
| Paid-up policies and policies on premium holidays | 2.25 | 2.35 | 4.44% |
| Single premium stand alone contracts issued before 16 October 1995 | 6.35 | 6.60 | 3.94% |
| Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998 | 2.55 | 2.60 | 1.96% |
| Single premium stand alone contracts issued between 21st September 1998 and 9 April 2000 | 4.65 | 4.80 | 3.23% |
| Single premium stand alone contracts issued after 9 April 2000 | 4.05 | 4.20 | 3.70% |

For Executive Pension Plan the monthly policy charges changed as follows:

| Contribution Type | Previous Policy Charge | New Policy Charge | Percentage Increase |
|---|---|---|---|
| | £ | £ | |
| Regular premium policies issued before 29 January 1996 | 6.35 | 6.60 | 3.94% |
| Regular premium policies issued after 29 January 1996 | 6.10 | 6.25 | 2.46% |
| Paid-up policies and policies on premium holidays | 2.25 | 2.35 | 4.44% |
| Single premium stand alone contracts issued before 16 October 1995 | 6.35 | 6.60 | 3.94% |
| Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998 | 2.55 | 2.60 | 1.96% |
| Single premium stand alone contracts issued after 20 September 1998 | 4.65 | 4.80 | 3.23% |

## (5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies since the previous valuation.

## (6) Accumulating With-Profits Charges

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

The maintenance expense allowance for the period 1 January 2013 to 31 December 2013 was £63.66. This compares with £60.53 for the period 1 January 2012 to 31 December 2012.

Investment expenses were charged according to the fee structure in following table between the current and the previous valuation.

| | **2013 Investment Expense** |
|---|---|
| Life UWP Bond | 0.109% p.a. |
| UWP Group Pensions | 0.140% p.a. |

### (7) Unit Pricing of Internal Linked Funds

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

Immediate Annuity Fund

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

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

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

## (8) Tax Deductions From Internal Linked Funds

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

## (9) Tax Provisions for Internal Linked Funds

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

## (10) Discounts on Unit Purchases

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

# 4. VALUATION BASIS

## (1) Valuation Methods

The valuation methods used are as follows:

<u>Gross Premium Method</u>

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

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

<u>Accumulating With-Profits Policies</u>

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

(i) the discounted value of:

(a) the guaranteed benefits at the maturity date or guarantee point allowing for future reversionary bonus rates in accordance with the table in paragraph 4 (8) (which is consistent with treating customers fairly); and

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

(ii) the lower of:

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

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

<u>Other Products</u>

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

<u>Calculation Notes</u>

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

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

## (2) Valuation Interest Rates

The valuation interest rates used are as follows:

| | Current Valuation | Previous Valuation |
|---|---|---|
| **Life Business** | | |
| With-Profits Endowment Assurances | 1.65% | 0.76% |
| Other With-Profits Assurances | 1.93% | 1.36% |
| UWP Bond | 1.92% | 1.36% |
| Non-Profit Endowment Assurances | 1.96% | 0.33% |
| Other Non-Profits Assurances | 1.93% | 1.36% |
| Annuities in payment (new GAF) | 2.50% | 2.20% |
| Annuities in payment (old GAF) | 2.83% | 2.51% |
| Monies on Deposit | 3.60% | 3.60% |
| RPI Linked Annuities in payment (net) | -0.22% | -0.57% |
| **PHI** | | |
| Claims In Payment | 2.65% | 2.10% |
| Other | 2.65% | 2.10% |

| | Current Valuation | Previous Valuation |
|---|---|---|
| **Pensions Business** | | |
| With Profits Pure Endowment & With Profits Deferred Annuities – Regular | | |
| | 2.83% | 2.59% |
| With Profits Pure Endowment & With Profits Deferred Annuities – Single premiums and paid-ups: | | |
| Initial rate | 3.58% | 3.73% |
| Reinvestment rate | 3.58% | 3.73% |
| Annuities in Payment | 2.83% | 2.51% |
| RPI Linked Annuities in payment | -0.29% | -0.86% |
| RPI Linked Deferred Annuities | -0.29% | -0.86% |
| Group UWP | 1.80% | 3.00% |
| Non-Profit Assurances | 3.04% | 2.27% |
| Non-Profit Deferred Annuities | | |
| Pre Vesting | 3.04% | 2.27% |
| Post Vesting | 3.04% | 2.27% |
| Monies on Deposit | 4.50% | 4.50% |

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

The methodology for setting the valuation interest rate for the index linked annuities does not utilise the waiver, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

All other assets producing income

The yield was reduced by 2.5% of the unadjusted yield.

## (4) Mortality Basis

The valuation mortality bases (on ultimate rates) are as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Endowment and Whole of Life Assurances | 81% AM92<br>110% AF92 | 81% AM92<br>110% AF92 |
| Term Assurance - aggregate | 95% TM92<br>116% TF92 | 95% TM92<br>116% TF92 |
| Term Assurance - non-smoker | 79% TM92<br>95% TF92 | 79% TM92<br>95% TF92 |
| Term Assurance - smoker | 200% TM92<br>237% TF92 | 200% TM92<br>237% TF92 |
| Pensions pre-vesting and pension term assurances | 52.6% AM92<br>59.3% AF92 | 52.6% AM92<br>59.3% AF92 |
| Life Annuities in Payment | Modified IM80 c2010<br>Modified IF80 c2010 | Modified IM80 c2010<br>Modified IF80 c2010 |
| Pensions post vesting | 95.0% PCMA00<br>90.3% PCFA00 | 97.4% PCMA00<br>90.3% PCFA00 |
| Pensions immediate annuities | 95.0% PCMA00<br>90.3% PCFA00 | 97.4% PCMA00<br>90.3% PCFA00 |

Life annuities currently in payment

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

Males: 77.7% (77.7%) of IM80 (c=2010) improving at 1.5% (1.5%) p.a.

Females: 79.0% (79.0%) of IF80 (c=2010) improving at 1.25% (1.25%) p.a.
The expectation of life under the current and previous valuation assumptions for sample ages are:

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 21.82 | 24.64 | 21.82 | 24.64 |
| 75 | 13.72 | 15.63 | 13.72 | 15.63 |

Pension annuities currently in payment

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

| | | Current valuation | | Previous valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| at age | 65 | 62.3% | 64.9% | 67.4% | 67.2% |
| at age | 75 | 57.8% | 58.7% | 60.5% | 61.0% |
| at age | 85 | 68.2% | 68.2% | 71.0% | 71.1% |
| at age | 95 | 82.2% | 77.9% | 83.1% | 81.2% |

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

| Males | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 65 | 2.20% | 2.51% | 2.02% | 2.50% | 2.50% | 2.50% |
| 75 | 2.56% | 1.96% | 2.45% | 2.44% | 2.50% | 2.50% |
| 85 | 3.28% | 1.66% | 1.64% | 1.94% | 1.94% | 1.94% |
| 95 | 0.88% | 1.52% | 1.35% | 1.35% | 1.39% | 1.39% |

| Females | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 65 | 2.13% | 2.76% | 2.33% | 2.50% | 2.50% | 2.50% |
| 75 | 2.69% | 2.38% | 2.63% | 2.48% | 2.50% | 2.50% |
| 85 | 2.94% | 1.93% | 1.87% | 1.96% | 1.94% | 1.94% |
| 95 | 1.34% | 1.49% | 1.39% | 1.38% | 1.39% | 1.39% |

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

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 24.54 | 26.97 | 24.28 | 26.62 |
| 75 | 15.01 | 17.06 | 14.86 | 16.73 |

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

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

| | | Current valuation | | Previous valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| at age | 55 | 72.2% | 71.8% | 78.2% | 73.5% |
| at age | 65 | 62.3% | 64.9% | 67.4% | 67.2% |
| at age | 75 | 57.8% | 58.7% | 60.5% | 61.0% |
| at age | 85 | 68.2% | 68.2% | 71.0% | 71.1% |
| at age | 95 | 82.2% | 77.9% | 83.1% | 81.2% |

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

| Males | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 55 | 2.77% | 1.47% | 2.50% | 2.50% | 2.50% | 2.50% |
| 65 | 2.20% | 2.51% | 2.02% | 2.50% | 2.50% | 2.50% |
| 75 | 2.56% | 1.96% | 2.45% | 2.44% | 2.50% | 2.50% |
| 85 | 3.28% | 1.66% | 1.64% | 1.94% | 1.94% | 1.94% |
| 95 | 0.88% | 1.52% | 1.35% | 1.35% | 1.39% | 1.39% |

| Females | 2014 | 2024 | 2034 | 2044 | 2054 | 2064 |
|---|---|---|---|---|---|---|
| 55 | 2.48% | 2.14% | 2.50% | 2.50% | 2.50% | 2.50% |
| 65 | 2.13% | 2.76% | 2.33% | 2.50% | 2.50% | 2.50% |
| 75 | 2.69% | 2.38% | 2.63% | 2.48% | 2.50% | 2.50% |
| 85 | 2.94% | 1.93% | 1.87% | 1.96% | 1.94% | 1.94% |
| 95 | 1.34% | 1.49% | 1.39% | 1.38% | 1.39% | 1.39% |

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

| | Current Age | Expectation of life from Age | Current Year | | Previous Year | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Deferred annuities | 45 | 65 | 27.57 | 29.94 | 27.39 | 29.61 |
| | 55 | 65 | 26.03 | 28.48 | 25.81 | 28.15 |

## (5) Morbidity Basis

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

Percentages of inception rates for the modified CMIR12 table at current year and previous valuation.

| Age | Table | Current Year | | Previous Year | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| 25 | CMIR12 | 89.00% | 150.00% | 89.00% | 150.00% |
| 35 | CMIR12 | 89.00% | 150.00% | 89.00% | 150.00% |
| 45 | CMIR12 | 37.00% | 62.00% | 37.00% | 62.00% |
| 55 | CMIR12 | 48.00% | 81.00% | 48.00% | 81.00% |

Recovery rates expressed as a percentage of CMIR12 for all durations.

| Age | Table | Current Year | | Previous Year | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| 25 | CMIR12 | 23.00% | 23.00% | 29.00% | 29.00% |
| 35 | CMIR12 | 23.00% | 23.00% | 29.00% | 29.00% |
| 45 | CMIR12 | 23.00% | 23.00% | 29.00% | 29.00% |
| 55 | CMIR12 | 23.00% | 23.00% | 29.00% | 29.00% |

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

## (6) Expenses

The following table shows the gross attributable expenses per policy.

| Product Group | Per Policy Expense | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | £ | £ |
| Annuity | 29.84 | 28.26 |
| All other classes | 63.26 | 59.92 |

The expenses on life business are netted down for tax at 20%.

There are no Zillmer adjustments for the policies to which the above expenses apply.

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. The MSA specifies fee inflation is RPIX +1.0% at 1 January each year.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

| **Investment expenses (net of 20% Policyholder tax on Life Fund business)** | **Current valuation** | **Previous valuation** |
|---|---|---|
| Conventional Life & UWP Bond | 0.109% | 0.092% |
| Conventional Pensions PE non-Libra policies & Conventional Pensions DA | 0.109% | 0.115% |
| Conventional Pensions PE Libra policies | 0.145% | 0.153% |
| UWP Group Pensions | 0.140% | 0.140% |
| Life Non Profit business | 0.080% | 0.064% |
| Pensions Non Profit business | 0.080% | 0.080% |

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £3.8m. At the previous valuation this provision was £8.8m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) Unit Growth Rates And Inflation Assumptions

There are no unit growth rate assumptions on the residual linked business as the reserve held is the face value of the units.

The assumption in relation to future levels of expense inflation is 4.55% p.a. at the current valuation compared to 3.88% p.a. at the previous valuation.

## (8) Future Bonus Rates

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

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

| Product | 2013 p.a | 2014 p.a | 2015& later p.a |
|---|---|---|---|
| Bonds | 0.50% | 0.08% | 0.00% |
| Other life | 0.50% | 0.08% | 0.00% |
| UWP Group pensions | 2.00% | 0.33% | 0.00% |
| Other pensions | 1.00% | 0.17% | 0.00% |

## (9) Persistency Assumptions

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

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

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

Initial Surrender Rates (%)

| Product | | Average surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| CWP savings endowment | Surrender | - | 2.1% | 1.1% | 1.1% |
| CWP target cash endowment | Surrender | - | 2.8% | 2.5% | 2.5% |
| CWP Executive Pension | Pup | 7.0% | 7.0% | 7.0% | 7.0% |
| CWP Executive Pension | Surrender | 2.8% | 2.8% | 2.8% | 2.8% |
| CWP Personal pension - regular premium | Pup | 3.8% | 3.6% | 2.1% | 2.1% |
| CWP Personal pension regular premium | Surrender | 1.5% | 1.2% | 1.8% | 1.8% |
| CWP Personal pension single premium | Surrender | 0.8% | 1.1% | 1.6% | 1.6% |

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

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

## (10) Other Material Assumptions

Not applicable.

### (11) Allowance for Derivatives

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

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

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

### (12) Effect of Basis Changes

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

## 5. OPTIONS AND GUARANTEES

#### (1) Guaranteed Annuity Rate Options

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

- All policyholders will exercise the option.

- The percentage of the cash sum which will be used to purchase the annuity on guaranteed terms will be :

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

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

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

- The expenses of payment are 1.82% of the value of the annuity

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

(b)

| (i)<br>Product Name | (ii)<br>Basic Reserve £m | (iii)<br>Spread of outstanding durations (yrs) | (iv)<br>Guarantee Reserve £m | (v)<br>Guaranteed Annuity Rate (Male at 65) | (vi)<br>Increments | (vii)<br>Form of annuity2 | (viii)<br>Retirement Ages |
|---|---|---|---|---|---|---|---|
| Additional Pension Plan | 6.1 | 0 to 41 | 3.0 | 10.0%<br>8.1%<br>8.1%<br>6.2% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 60% spouse<br>Esc 3% - 60% spouse | Ages 50 to 75 |
| Executive Benefit Plan | 82.9 | 0 to 39 | 43.4 | 10.0%<br>7.6%<br>8.1%<br>5.6% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 60% spouse<br>Esc 3% - 60% spouse | Ages 50 to 75 |
| Retirement Security Plan | 80.6 | 0 to 41 | 39.6 | 10.0%<br>8.1%<br>8.1%<br>6.2% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 60% spouse<br>Esc 3% - 60% spouse | Ages 50 to 75 |
| Transfer Plan | 173.3 | 0 to 34 | 54.1 | 10.0%<br>8.1%<br>8.1%<br>6.2% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 60% spouse<br>Esc 3% - 60% spouse | Ages 50 to 75 |
| PPP81 | 218.6 | 0 to 31 | 84.5 | 10.0%<br>8.1%<br>8.1%<br>6.2% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 60% spouse<br>Esc 3% - 60% spouse | Ages 50 to 75 |
| Fowler | 355.9 | 0 to 43 | 96.0 | 10.0%<br>8.1%<br>8.1%<br>6.2% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 60% spouse<br>Esc 3% - 60% spouse | Ages 50 to 75 |
| Fowler (DSS) | 774.6 | 0 to 35 | 83.4 | 10.0%<br>8.1%<br>8.3%<br>6.4% | Yes1 | Level - single life<br>Esc 3% - single life<br>Level - 50% spouse<br>Esc 3% - 50% spouse | Ages 60 to 75 |
| Pensions Reserve | 13.1 | 0 to 32 | 4.3 | 10.0%<br>8.1% | Yes1 | Level - single life<br>Level - 60% spouse | Ages 50 to 75 |

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

### (2) Guaranteed Surrender and Unit-linked Maturity Values

UWP Bond

Policies established on the administration system after 29 September 1997 are wholly reassured with PLL Phoenix With-Profits Fund and the required disclosure for these policies may be found in the Returns of that Fund.

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

UWP benefits secured are wholly reassured with PLL Phoenix With-Profits Fund and the required disclosure may be found in the Returns of that Fund.

Guaranteed Unit-Linked Maturity Values

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

### (3) Guaranteed Insurability Options

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

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

### (4) Other Guarantees and Options

None.

## 6. EXPENSE RESERVES

### (1) Aggregate Expense Loadings

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

| Homogeneous risk group | Implicit allowances | Explicit allowances (investment) | Explicit allowances (other) | Non-attributable expenses | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| All products | 4.2 | 0.5 | 10.3 | 3.0 | 17.9 |
| All expenses attributable | 4.2 | 0.5 | 10.3 | n/a | 15.0 |
| Total | 4.2 | 0.5 | 10.3 | 3.0 | 17.9 |

## (2) Implicit Allowances

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

## (3) Form 43 Comparison

The total amount of maintenance expenses shown in 6 (1) is different from the total shown in line 14 of Form 43:

| | **F43.14** | **table 6(1)** | **Difference** |
|---|---|---|---|
| **Homogeneous risk group** | **(a)<br>£m** | **(b)<br>£m** | **(b) - (a)** |
| All products | 21.3 | 17.9 | -3.4 |
| Total | 21.3 | 17.9 | -3.4 |

The expense loadings in table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in form 43 line 14, though this is partially offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally, Form 43 Line 14 includes performance related investment fees of £3.7m which is not included in table 6(1).

## (4) New Business Expense Overrun

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

## (5) Maintenance Expense Overrun

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

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

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

## (6) Non-attributable expenses

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

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

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

| Currency | Mathematical Reserves £m | Percentage matched in same currency |
|---|---|---|
| Sterling (£) | 4,262.5 | 100% |
| Other | 0.6 | 100% |
| Total | 4,263.0 | |

### (2) Other Currency Exposures

See table in paragraph 7 (1).

### (3) Currency Mismatching Reserve

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

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

Not applicable.

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

Not applicable.

### (6) Resilience Capital Requirement

Not applicable.

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

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

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding 0.1% of the mathematical reserves (i.e. £4.2m) are:

| Description | Reserve |
|---|---|
| | £m |
| Data Contingency Reserve | 12.4 |
| Litigation Reserves | 7.4 |
| Project & Other Costs | 7.5 |
| Outsourcer Expenses Risk Transfer | 9.4 |

Data Contingency Reserve
Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business.

An additional reserve of £5.5m was held for credit default provision at 31 December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

### (1) Unauthorised Reinsurers

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

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

### (2) Reinsurance Treaties

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

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

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

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

(i) There are no undischarged obligations.

(j) Reinsurance ceded external reserves total £16.0m. This total has not been split between the respective reinsurers.

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

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

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

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

| (d) Name of Reinsurer | (e) Type of Business | Type of Reinsurance | Extent of Cover | (f) Premiums £000s | (l) Authorised in UK | (m) Connected to Company |
|---|---|---|---|---|---|---|
| Revios Re | Individual Life Assurance | 2nd Surplus | 100,000 | 11.2 | No | No |
| *Munich Reinsurance | Individual Life Assurance | 1st Surplus (Risk Premium) | 375,000 | 24.6 | Yes | No |
| Hannover Re | Individual Life Assurance | 2nd Surplus | 200,000 | 44.1 | Yes | No |
| Swiss Reinsurance | Individual Life Assurance | 1st Surplus (Risk Premium) | 1,125,000 | 557.4 | Yes | No |
| GE Frankona | Individual Life Assurance | 1st Surplus (Risk Premium) | 375,000 | 52.8 | Yes | No |
| *Pacific Life Re Limited | Individual Life Assurance | 2nd Surplus (Risk Premium) | 50,000 | 29.0 | Yes | No |

# 10. REVERSIONARY (OR ANNUAL) BONUS

### (1) Details of Bonus Rates

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

| Bonus Series | Math reserves | Reversionary Bonus Rate for Current Year | Reversionary Bonus Rate for Previous year | Total g'tee bonus for current year |
|---|---|---|---|---|
| | £m | % | % | % |
| Category 1 Contracts | 2,080.9 | 0.05/0.05 | 0.05/0.05 | 0.05/0.05 |
| Category 2 Contracts | 480.7 | 0.10/0.10 | 0.10/0.10 | 0.10/0.10 |
| UWP Group Pensions | 14.0 | 2.00 | 2.00 | 0.00 |
| UWP life[1] | 21.9 | 0.50 | 0.50 | 0.00 |

[1] The Fund also writes unitised with-profits business which is wholly reassured to PLL Phoenix With-Profits Fund. The reversionary bonuses applying to these contracts are fully described in the Returns of that Fund.

Category 1 contracts are:

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

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

### (2) Unitised with-profits business unit price increases

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. For business retained by the Fund the reversionary bonus rate was 0.5% throughout 2013.

### (3) Super compound bonus

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

### (4) Bonus series

Within a bonus series bonus rates do not vary.

# Scottish Mutual With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

The firm has the right to apply Smoothing Reductions to its Smoothed Investment Funds and market value reductions to the various series of with-profits units.

Market value reductions may be applied to unitised with-profits and smoothed return business for non-protected exits such as surrenders, transfers and early or late retirements. Market value reductions may not be applied for protected exits which generally include death, maturity, surrender at a guarantee date and retirement at the selected retirement date.

During 2013 market value reductions were applied. A summary for the main business types follows.

**Regular Premium**

| Date | UK Life With-Profits Funds | UK Pensions With-Profits Funds |
|---|---|---|
| Jan-2013 | Business written in:<br>1 Oct 2009 - 31Dec 2012 | Business written in:<br>1 Dec 2002 - 31 Dec 2012 |
| Feb-2013 | No MVA Applied | No MVA Applied |
| Mar-2013 | Business written in:<br>1 Jan 2013 - 28 Feb 2013 | No MVA Applied |
| Apr-2013 | Business written in:<br>1 Jan 2013 - 28 Feb 2013 | No MVA Applied |
| May-2013 | Business written in:<br>1 Jan 2013 - 28 Feb 2013 | No MVA Applied |
| Jun-2013 | Business written in:<br>1 Jan 2013 - 31 May 2013 | Business written in:<br>1 Jan 2013 - 31 May 2013 |
| Jul-2013 | Business written in:<br>1 July 1987 - 30 Jun 2013 | Business written in:<br>1 Oct 1985 - 30 Jun 2013 |
| Aug-2013 | Business written in:<br>1 July 1987 - 31 Dec 2010 | Business written in:<br>1 Oct 1985 - 31 Dec 2012 |
| Sep-2013 | No MVA Applied | Business written in:<br>1 Oct 1985 - 31 Aug 2013 |
| Oct-2013 | No MVA Applied | Business written in:<br>1 Oct 1985 - 31 Aug 2013 |
| Nov-2013 | No MVA Applied | No MVA Applied |
| Dec-2013 | No MVA Applied | No MVA Applied |

**Single Premium**

| Date | UK Life With-Profits Funds | UK Pensions With-Profits Funds |
|---|---|---|
| Jan-2013 | Business written in:<br>1 Oct 1994 - 31 Dec 2012 | Business written in:<br>1 Oct 1991 - 31 Dec 2012 |
| Feb-2013 | No MVA Applied | Business written in:<br>1 Jan 1999 - 31 Dec 2000 |
| Mar-2013 | No MVA Applied | Business written in:<br>1 Jan 1999 - 31 Dec 2000 |
| Mar-2013 | No MVA Applied | Business written in:<br>1 Jan 1999 - 31 Dec 2000 |
| Mar-2013 | No MVA Applied | Business written in:<br>1 Jan 1999 - 31 Dec 2000 |
| Jun-2013 | No MVA Applied | No MVA Applied |
| Jul-2013 | Business written in:<br>1 Jan 2013 - 30 Jun 2013 | Business written in:<br>1 Oct 1985 - 30 Jun 2013 |
| Aug-2013 | No MVA Applied | Business written in:<br>1 Oct 1985 - 31 Aug 2013 |
| Sep-2013 | No MVA Applied | Business written in:<br>1 Oct 1985 - 31 Aug 2013 |
| Oct-2013 | No MVA Applied | Business written in:<br>1 Oct 1985 - 31 Aug 2013 |
| Nov-2013 | No MVA Applied | No MVA Applied |
| Dec-2013 | No MVA Applied | No MVA Applied |

## (2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

## (3) Non-profit Deposit Administration

Transactions on non-profit deposit administration business has totalled £6.75m since the previous valuation.

## (4) Service Charges on Linked Policies

Policy fees on unit linked contracts were increased between 0.00% and 3.51% during 2013. Policy fees for majority of these contracts were increased by over 1%.

## (5) Benefit Charges on Linked Policies

There have been no changes to benefit charges on linked policies since the previous valuation.

### (6) Accumulating With-Profits Charges

There has been no changes to charges on accumulating with-profits policies since the previous valuation.

### (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.

### Discounts on Unit Purchases

Not applicable.

## 4. VALUATION BASIS

### (1) Valuation Methods

It is assumed that annuities in payment occur at the end of the month in which they are due and that increments under increasing annuities take place at the end of the month in which they escalate. For certain annuities there is a capital guarantee that if the annuitant dies before the annuity payments made equal or exceed the purchase price, the shortfall becomes payable immediately. Provision for those extra guarantees is included with the reserves shown.

The benefits valued for group schemes are the amounts secured by premiums paid prior to the valuation date, except for contracts where benefits in force are secured by premiums fixed until retirement.

For unitised with profit business the funded value of the units has been compared to the surrender value taking into account policyholders' reasonable expectations, and the lower of these two items has been valued. The result of this calculation is then compared with a valuation using the bonus reserve method and the larger of the two items is then taken as the reserve. For units with a guaranteed rate of bonus this guaranteed rate is allowed for in the bonus reserve valuation.

For the Smoothed Funds the reserve held is the sum of the sterling reserve and the valuation smoothed prices multiplied by the number of units. All non-linked with profit contracts have been valued using the gross premium method. Certain assurances accepted at an increased rate of premium are valued at correspondingly increased ages. A proportion of all other current extra premiums receivable is reserved.

## (2) Valuation Interest rates

The valuation interest rates used were as follows:

<table>
<tr><th colspan="2">Product Group</th><th>Current Valuation</th><th>Previous Valuation</th></tr>
<tr><td colspan="4">Conventional Business</td></tr>
<tr><td colspan="2">Conventional with-profits life assurances (Single Premium)</td><td>2.45%</td><td>1.15%</td></tr>
<tr><td colspan="2">Conventional with-profits life assurances (Regular Premium)</td><td>2.40%</td><td>1.15%</td></tr>
<tr><td rowspan="2">Conventional with-profits deferred annuities (single premium)</td><td>in deferment</td><td>2.50%</td><td>2.50%</td></tr>
<tr><td>in payment</td><td>2.40%</td><td>2.35%</td></tr>
<tr><td rowspan="2">Conventional with-profits deferred annuities (regular premium)</td><td>in deferment</td><td>2.50%</td><td>2.45%</td></tr>
<tr><td>in payment</td><td>2.35%</td><td>2.30%</td></tr>
<tr><td rowspan="2">Conventional with-profits immediate annuities</td><td>group</td><td>2.50%</td><td>2.50%</td></tr>
<tr><td>individual</td><td>2.50%</td><td>2.50%</td></tr>
<tr><td colspan="4">Unitised Business</td></tr>
<tr><td rowspan="2">Unitised with-profits life assurances</td><td>non-unit reserves</td><td>2.45%</td><td>1.15%</td></tr>
<tr><td>unit reserves</td><td>2.45%</td><td>1.15%</td></tr>
<tr><td rowspan="2">Unitised with-profits pensions</td><td>non-unit reserves</td><td>1.90%</td><td>1.45%</td></tr>
<tr><td>unit reserves</td><td>1.90%</td><td>1.45%</td></tr>
<tr><td>Unitised with-profits life assurances (overseas)</td><td>unit reserves</td><td>1.90%</td><td>1.45%</td></tr>
</table>

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

## (4) Mortality Basis

The mortality assumptions for the current (and previous) valuation are:

| Product Group | | Current Valuation | Previous Valuation |
|---|---|---|---|
| CWP life assurances | non- smoker | 61% AM92 ult1<br>72% AF92 ult | 61% AM92 ult1<br>72% AF92 ult |
| | smoker | 105% AM92 ult1<br>116% AF92 ult | 105% AM92 ult1<br>116% AF92 ult |
| CWP pensions assurances<br>(individual and group) | | 72% AM92 ult<br>66% AF92 ult | 72% AM92 ult<br>66% AF92 ult |
| Deferred annuities (in deferment)<br>(individual and group) | | 72% AM92 ult<br>66% AF92 ult | 72% AM92 ult<br>66% AF92 ult |
| Immediate and deferred pensions<br>annuities in payment | | Modified PMA00<br>Modified PFA00 | Modified PMA00<br>Modified PFA00 |
| Unitised life business | | 77% AM80 ult1<br>77% AF80 ult | 77% AM80 ult1<br>77% AF80 ult |
| Unitised pensions business | | 77% AM80 ult<br>77% AF80 ult | 77% AM80 ult<br>77% AF80 ult |

**Pension annuities currently in payment.**

Percentages of the life tables used under the current (and previous year) valuation assumptions at sample ages are:

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Male | Female | Male | Female |
| At age 65 | 102.1% | 95.0% | 102.1% | 95.0% |
| At age 75 | 102.1% | 95.0% | 102.1% | 95.0% |

Improvement factors for future calendar years assumed in the current valuation at sample ages are:

| Males | 2013 | 2023 | 2033 | 2043 | 2053 | 2063 |
|---|---|---|---|---|---|---|
| 60 | 1.81% | 1.58% | 2.38% | 2.50% | 2.50% | 2.50% |
| 70 | 3.52% | 1.69% | 1.98% | 2.48% | 2.50% | 2.50% |
| 80 | 3.53% | 2.66% | 1.75% | 2.13% | 2.22% | 2.22% |
| 90 | 1.67% | 1.91% | 1.75% | 1.59% | 1.67% | 1.67% |
| 100 | 1.10% | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% |

| Females | 2013 | 2023 | 2033 | 2043 | 2053 | 2063 |
|---|---|---|---|---|---|---|
| 60 | 1.84% | 2.40% | 2.35% | 2.50% | 2.50% | 2.50% |
| 70 | 2.83% | 2.25% | 2.49% | 2.47% | 2.50% | 2.50% |
| 80 | 3.51% | 2.53% | 2.10% | 2.22% | 2.22% | 2.22% |
| 90 | 1.66% | 1.99% | 1.73% | 1.65% | 1.67% | 1.67% |
| 100 | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% | 1.11% |

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

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 23.9 | 26.5 | 23.9 | 26.2 |
| 75 | 14.5 | 16.7 | 14.5 | 16.4 |

**Deferred pension contracts (post vesting) including guaranteed annuity options.**

Percentages of the life tables used under the current (and previous year) valuation assumptions for deferred annuities at a sample age are:

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Male | Female | Male | Female |
| At age 45 | 102.1% | 95.0% | 102.1% | 95.0% |
| At age 55 | 102.1% | 95.0% | 102.1% | 95.0% |

Improvement factors for future calendar years assumed in the current valuation at sample ages are:

| Males | 2013 | 2023 | 2033 | 2043 | 2053 | 2063 |
|---|---|---|---|---|---|---|
| 40 | 2.20% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| 50 | 1.44% | 2.25% | 2.50% | 2.50% | 2.50% | 2.50% |
| 60 | 1.81% | 1.58% | 2.38% | 2.50% | 2.50% | 2.50% |
| 70 | 3.52% | 1.69% | 1.98% | 2.48% | 2.50% | 2.50% |
| 80 | 3.53% | 2.66% | 1.75% | 2.13% | 2.22% | 2.22% |

| Females | 2013 | 2023 | 2033 | 2043 | 2053 | 2063 |
|---|---|---|---|---|---|---|
| 40 | 1.85% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| 50 | 2.14% | 2.20% | 2.50% | 2.50% | 2.50% | 2.50% |
| 60 | 1.84% | 2.40% | 2.35% | 2.50% | 2.50% | 2.50% |
| 70 | 2.83% | 2.25% | 2.49% | 2.47% | 2.50% | 2.50% |
| 80 | 3.51% | 2.53% | 2.10% | 2.22% | 2.22% | 2.22% |

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

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 45 | 26.9 | 29.5 | 27.0 | 29.2 |
| 55 | 25.4 | 28.1 | 25.4 | 27.7 |

## (5) Morbidity Basis

Not applicable.

## (6) Expense Basis

The following table shows the gross attributable expenses per policy:

| Product Group | | Per Policy Expense | |
|---|---|---|---|
| | | Current Valuation £ p.a. | Previous Valuation £ p.a. |
| **Conventional business** | | | |
| CWP savings endowment (120/125) | Premium-paying<br>Paid-up | 49.01<br>34.30 | 49.31<br>34.51 |
| CWP pensions (155/165) | Premium-paying<br>Paid-up | 63.22<br>44.26 | 63.61<br>44.53 |
| **Unitised business** | | | |
| UWP bond (500) | | 37.45 | 37.69 |
| UWP savings endowment (510) | Premium-paying<br>Paid-up | 46.37<br>32.47 | 43.19<br>30.23 |
| UWP regular premium pension (525/545) | Premium-paying<br>Paid-up | 54.94<br>38.46 | 51.16<br>35.82 |
| UWP group regular premium pension (535) | Premium-paying<br>Paid-up | 54.04<br>37.84 | 50.33<br>35.24 |
| UWP single premium pension (525/545) | | 38.46 | 35.82 |
| UWP group single premium pension (535) | | 37.84 | 35.24 |

The expenses on life business are netted down for tax at 20%.

The renewal commission rate payable is 2.50% for applicable business.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

| Investment expense (gross of tax) | Current valuation | Previous valuation |
|---|---|---|
| CWP Life | 0.167% | 0.167% |
| CWP Pension | 0.132% | 0.132% |

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £1.8m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) Unit Growth Rates and Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at 5.55% p.a.

### (8) Future Bonus Rates

Assumed future bonus rates are 0% for all business, with the exception of unitised with-profits policies invested in the unit series where there is a guaranteed minimum bonus rate of 3% (life business) or 4% (pensions business). In these cases, the guaranteed bonus rates are used in the valuation.

These assumptions have not changed since the previous valuation.

### (9) Persistency Assumptions

No allowance is made for lapses, except in the Bonus Reserve Valuation calculations for the With Profits Bonds as shown:

| **Product** | | **Average Lapse/Surrender Rate for the Policy Years** | | | |
|---|---|---|---|---|---|
| | | 1 - 5 | 6 - 10 | 11 - 15 | 16 - 20 |
| UWP With Profit Investment Bond | Surrender | 10.0% | 10.0% | 10.0% | 10.0% |
| UWP Select With Profits Bond | Surrender | 20.0% | 20.0% | 20.0% | 20.0% |
| UWP With Profit Investment Bonds | Partial withdrawals | 2.5% | 2.5% | 2.5% | 2.5% |
| UWP Select With Profits Bond | Partial withdrawals | 3.0% | 3.0% | 3.0% | 3.0% |
| UWP With Profits Bond | Partial withdrawals | 5.0% | 5.0% | 5.0% | 5.0% |

### (10) Other Material Assumptions

There are no changes in methods and assumptions since the previous valuation other than those already discussed.

### (11) Allowance for Derivatives

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

### (12) Effects of Basis Changes

Not applicable.

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed annuity rate options

Where a contract funding for cash has a guaranteed annuity option, the value of the guaranteed annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves for the guaranteed annuity option and the cash option, assuming a take-up rate of the guaranteed annuity option which may be less than 100%.

For Self Employed (S226) Personal Pensions, the GAO take-up rate is:

85% for plans maturing immediately at the valuation date,
95% for plans maturing 20 years after the valuation date,
interpolated linearly between these limits for intermediate maturity dates.

A distribution of retirement ages has been assumed for these contracts.

| Product | Basic Reserve | O/S Duration | Gtee Reserve | GAO Rate (male age 65) | Incrs Yes/No | Annuity Form | Ret. Ages |
|---|---|---|---|---|---|---|---|
| | £m | years | £m | | | | |
| Self Employed (S226) | 258.2 | 26.0 | 214.9 | 11.00% | Yes | Rate shown corresponds to annually in arrears. Annuity can be paid monthly, quarterly, half yearly, with/out escalation, single or joint life; if single life a 5 or 10 year guarantee can be added. | 50-75 (with few exceptions) |

## (2) Guaranteed surrender and unit-linked maturity values

The Flexible Endowment contract is written as a with profit endowment assurance maturing on the policy anniversary prior to the sixty-fifth birthday. There are guaranteed early maturity values available from the tenth policy anniversary. The contracts are valued both as endowment assurances to age 65 and as endowment assurances for the appropriate guaranteed sum assured at the earliest guaranteed option date. The greater of the two values is held.

| Product | Basic Reserve | O/S Duration | Gtee Reserve | Gtee Amount | MVA-free condition | In-force premiums | Incrs Yes/No |
|---|---|---|---|---|---|---|---|
| | £m | years | £m | £m | | £m | |
| Flexible Endowment | 3.03 | 32.9 | 4.8 | 10.3 | n/a | 0.2 | No |

## (3) Guaranteed insurability options

There are no guaranteed insurability options.

## (4) Other guarantees and options

Some classes of deferred annuity have a cash option. The reserve for these policies is calculated in the same way as for cash contracts with guaranteed annuity options, as described in paragraph 5.(1). The value of the annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves for the guaranteed annuity option and the cash option, assuming a take-up rate for the cash option as shown below.

For Self Employed (S226) Personal Pensions and Master policy plans, the take-up rate assumed for the cash option is:

15% for plans maturing immediately at the valuation date

5% for plans maturing 20 years after the valuation date
Interpolated linearly between these limits for intermediate maturity dates

For Individual Pension Arrangements, the take-up rate assumed for the cash option is:

10% for plans maturing immediately at the valuation date
5% for plans maturing 20 years after the valuation date
Interpolated linearly between these limits for intermediate maturity dates

The vesting date is taken to be Normal Retirement Age for Individual Pension Arrangements and Master policy plans; for Self Employed (S226) Personal Pensions the distribution of retirements with age is the same as that shown in paragraph 5 (1).

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

| Deferred Annuity Contract | Total Mathematical Reserves | Mathematical Reserves if No Option | Reduction to Mathematical Reserves in Respect of Option |
|---|---|---|---|
| | £m | £m | £m |
| Self Employed (S226) Personal Pensions | 4.8 | 5.1 | 0.0 |
| Individual Pension Arrangements | 128.2 | 137.4 | 0.0 |
| Masterpolicy plans | 254.2 | 271.5 | 0.0 |

## 6. EXPENSES

### (1) Aggregate Expense Loadings

The aggregate gross of taxation amount available in the next 12 months, arising from margins in the valuation basis, to meet ongoing expenses from existing business is £13.8m. This is composed of explicit allowance of £11.0m for non-investment maintenance expenses and £2.8m for investment expenses.

### (2) Implicit Allowances

There is an implicit allowance in the valuation basis for investment expenses. For conventional with-profits life business the allowance is 0.167% p.a. and for conventional with-profits pensions business the allowance is 0.132% p.a.

### (3) Form 43 Comparison

The maintenance expenses shown at line 14 of Form 43 are £14.2m. This includes £3.8m investment management expenses and £10.4m in administrative expenses.

### (4) New Business Expense Overrun

The company is no longer writing new business and so there is no requirement for a new business expense overrun reserve

### (5) Maintenance Expense Overrun

The company has already closed to new business and the expense assumptions set out in paragraph 4.6 take account of this fact. There is thus no requirement for an additional expense overrun reserve allowing for future closure to new business.

### (6) Non-attributable Expenses

Not applicable.

## 7. MISMATCHING RETURNS

### (1) Analysis of Reserves by Currency

The reserves held by currency and the assets backing them are as follows:

| Currency | Mathematical | Backed by Assets |
|---|---|---|
| | £m | £m |
| Sterling (£) | 2,105.3 | 2,105.3 |
| Euro (€) | 5.8 | 5.8 |
| US ($) | 0.6 | 0.6 |
| Other currencies | 0.0 | 0.0 |
| Total | 2,111.8 | 2,111.8 |

### (2) Other Currency Exposures

No information required.

### (3) Currency Mismatching Reserve

No reserve is held for currency mismatching. Any non-sterling-denominated assets are held within the fund as part of the diversified portfolio of investments. The discretionary nature of the payouts on with profit policies is such that they can vary with the returns on the assets and so there is no need to hold an additional reserve for currency mismatching.

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

Not applicable.

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

Not applicable.

## (6) Resilience Capital Requirement

Not applicable.

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

No further reserve arises from the test on assets in INSPRU 1.1.34(2)(R). The liabilities are analysed by duration and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

## 8. OTHER SPECIAL RESERVES

An additional reserve of £1.1m was held for credit default provision at 31 December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

### (1) Facultative Reinsurance

No reassurance is ceded on a facultative basis to a reinsurer who is not authorised to carry on business in the UK.

### (2) Reinsurance Treaties

There are no reinsurance treaties with reinsurance premiums and ceded reserves above the de minimis limits.

## 10. REVERSIONARY (OR ANNUAL) BONUS

The following table shows the modelled reserves, excluding provisions and non-policy related reserves, for the with profit business along with the reversionary bonus for the current (and previous) years:

| Bonus Series | Gross Mathematical Reserves £m | Reversionary Bonus Rate (Current Year) | Reversionary Bonus Rate (Previous Year) | Total Guaranteed Bonus Rate (Current Year) |
|---|---|---|---|---|
| **Conventional Business** | | | | |
| Conventional life assurance and general annuity | 57.3 | 0.0% | 0.0% | 0.0% |
| Conventional pension business | 1156.8 | 0.0% | 0.0% | 0.0% |
| **Unitised Business** | | | | |
| Unitised Life Series I | 1.4 | 3.0% | 3.0% | 3.0% |
| Unitised Life Series II | 0.8 | 3.0% | 3.0% | 3.0% |
| Unitised Life Series III | 171.7 | 3.0% | 2.0% | 0.0% |
| Unitised Pensions Series I | 176.6 | 4.0% | 4.0% | 4.0% |
| Unitised Pensions Series II | 201.3 | 4.0% | 4.0% | 4.0% |
| Unitised Pensions Series III | 160.5 | 4.0% | 3.0% | 0.0% |
| Unitised Pensions Series VII | 0.1 | 4.0% | 3.0% | 0.0% |
| Unitised International Series I – £ | 1.0 | 2.0% | 2.0% | 0.0% |
| Unitised International Series I – $ | 0.6 | 1.0% | 0.5% | 0.0% |
| Unitised International Series I – Euro | 5.8 | 0.0% | 0.0% | 0.0% |
| With Profit Annuity | 131.0 | 5.0% | 3.5% | 0.0% |

# SPI With-Profits Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

For the UK business written in the with-profits fund, market value reductions applied were as follows:

| Date | UK Life With-Profits Funds | UK Pensions With-Profits Funds |
|---|---|---|
| From 1 January 2013 to 31 January 2013 | No MVA applied to this business. | Business written from 1 January 1999 to 30 June 1999. |
| From 1 February 2013 to 28 February 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 March 2013 to 31 March 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 April 2013 to 30 April 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 May 2013 to 31 May 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 June 2013 to 30 June 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 July 2013 to 31 July 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 August 2013 to 31 August 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 September 2013 to 30 September 2013 | No MVA applied to this business. | Business written from 1 January 1986 to 30 June 1999. |
| From 1 October 2013 to 31 October 2013 | No MVA applied to this business. | Business written from 1 January 1986 to 30 June 1999. |
| From 1 November 2013 to 30 November 2013 | No MVA applied to this business. | Business written in calendar years 1989 and 1997. |
| From 1 December 2013 to 31 December 2013 | No MVA applied to this business. | No MVA applied to this business. |

For the Irish business written in the with-profits fund, market value reductions applied were as follows:

| Date | Irish Life With-Profits Funds | Irish Pensions With-Profits Funds |
|---|---|---|
| From 1 January 2013 to 31 January 2013 | No MVA applied to this business. | Business written from 1 January 1999 to 30 September 1999. |
| From 1 February 2013 to 28 February 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 March 2013 to 31 March 2013 | No MVA applied to this business. | Business written from 1 January 1999 to 30 September 1999. |
| From 1 April 2013 to 30 April 2013 | No MVA applied to this business. | Business written from 1 January 1999 to 30 September 1999. |
| From 1 May 2013 to 31 May 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 June 2013 to 30 June 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 July 2013 to 31 July 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 August 2013 to 31 August 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 September 2013 to 30 September 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 October 2013 to 31 October 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 November 2013 to 30 November 2013 | No MVA applied to this business. | No MVA applied to this business. |
| From 1 December 2013 to 31 December 2013 | No MVA applied to this business. | No MVA applied to this business. |

## (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

There were no changes to charges applied to accumulating with-profits policies.

### (7) Unit Pricing of Internal Linked Funds

Not applicable.

### (8) Tax Deductions From Internal Linked Funds

Not applicable.

### (9) Tax Provisions for Internal Linked Funds

Not applicable.

### (10) Discounts on Unit Purchases

Not applicable.

## 4. VALUATION BASIS

### (1) Valuation Methods

All conventional policies have been valued using a gross premium method. Policies granted a one-off increase in the sum assured as at the valuation date have been valued allowing for this increase. Where appropriate, allowance has been made for payments in accordance with reassurance treaties.

For unitised with-profits (UWP) policies, the reserves have been calculated as the greater of:

(i) the discounted value of the guaranteed benefits, including any future reversionary bonuses where a guaranteed rate of bonus applies; and

(ii) the lower of:

(a) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date having regard to the representation of the Company, and;
(b) the amount in (a) disregarding all discretionary adjustments.

Additional non-unit reserves are held for unitised with-profits policies, based on cash flow calculations for individual policies, which ensure that there are no future negative cash flows.

## (2) Valuation Interest rates

The valuation interest rates used were as follows:

| Product Group | | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | UK | Republic of Ireland | UK | Republic of Ireland |
| **Conventional With-Profits (CWP)** | | | | | |
| Conventional with-profits life assurances | | 2.50% | 1.75% | 2.15% | 0.95% |
| Conventional with-profits pensions assurances | | 2.60% | 1.40% | 2.55% | 1.35% |
| Conventional non-profit life term assurances | | 2.10% | 0.25% | 1.15% | 0.15% |
| Conventional non-profits pensions assurances | | 3.34% | n/a | 2.62% | n/a |
| **Unitised With-Profits (UWP)** | | | | | |
| Unitised with-profits life assurances | non-unit | 2.20% | 0.35% | 1.20% | 0.20% |
| | unit | 2.15% | 1.75% | 2.10% | 0.90% |
| Unitised with-profits pensions | non-unit | 2.75% | 0.40% | 1.55% | 0.30% |
| | unit | 2.55% | 1.65% | 2.50% | 1.30% |

Note: the valuation interest rates are shown net of tax for with-profits life business and non-profit life term assurance business but gross of tax for all other business.

## (3) Risk Adjustments

The yields on assets were reduced for risk as follows:

<u>Fixed Interest</u>

(a) 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.

Where UK approved securities have been used to back Euro denominated liabilities and additional margin of 0.40% has been deducted from the yield in recognition of the increased risk due to the currency mismatch.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Equities

To allow for unreasonably high dividend yields or earnings yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Additional adjustments have also been made to the dividend yield of Lloyds Banking Group and Royal Bank of Scotland shares where the dividend yield has been set to zero to reflect the current expectations of those shares.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

## (4) Mortality Basis

The mortality tables used for each product group are shown in the following table:

<table>
<tr><th>Product Group</th><th></th><th>Current Valuation</th><th>Previous Valuation</th></tr>
<tr><td rowspan="3">Conventional endowment assurance (UK and overseas)</td><td>non-smoker</td><td>70% AM92 ult1<br>88% AF92 ult</td><td>70% AM92 ult1<br>88% AF92 ult</td></tr>
<tr><td>smoker</td><td>141% AM92 ult1<br>176% AF92 ult</td><td>141% AM92 ult1<br>176% AF92 ult</td></tr>
<tr><td>smoker status unknown</td><td>88% AM92 ult1<br>110% AF92 ult</td><td>88% AM92 ult1<br>110% AF92 ult</td></tr>
<tr><td colspan="2">Conventional whole life assurances other than Bonus Mortgage Plan (UK and overseas)</td><td>Modified TM92 ult1<br>Modified TF92 ult</td><td>Modified TM92 ult1<br>Modified TF92 ult</td></tr>
<tr><td>Bonus Mortgage Plan</td><td></td><td>88% AM92 ult1<br>110% AF92 ult</td><td>88% AM92 ult1<br>110% AF92 ult</td></tr>
<tr><td colspan="2">Conventional Capital Options and With-Profit Bond (overseas)</td><td>Nil Mortality</td><td>Nil Mortality</td></tr>
<tr><td colspan="2">Conventional term assurance (UK and overseas)</td><td>Modified TM92 sel1<br>Modified TF92 sel</td><td>Modified TM92 sel1<br>Modified TF92 sel</td></tr>
<tr><td rowspan="2">Unitised assurances other than Flexible Mortgage Plan (UK and overseas)</td><td>non-smoker</td><td>70% AM92 ult1<br>88% AF92 ult</td><td>70% AM92 ult1<br>88% AF92 ult</td></tr>
<tr><td>smoker</td><td>141% AM92 ult1<br>176% AF92 ult</td><td>141% AM92 ult1<br>176% AF92 ult</td></tr>
<tr><td colspan="2">Flexible Mortgage Plan (UK)</td><td>Modified TM92 ult1<br>Modified TF92 ult</td><td>Modified TM92 ult1<br>Modified TF92 ult</td></tr>
<tr><td rowspan="3">Conventional deferred annuities (in deferment)</td><td>Overseas (group & individual)</td><td>Nil Mortality</td><td>Nil Mortality</td></tr>
<tr><td>UK (individual)</td><td>Nil Mortality</td><td>Nil Mortality</td></tr>
<tr><td>UK (group)</td><td>88% AM92 ult<br>110% AF92 ult</td><td>88% AM92 ult<br>110% AF92 ult</td></tr>
<tr><td>Simplified Pensions Investment Plan (in deferment)</td><td>UK and overseas</td><td>Nil Mortality</td><td>Nil Mortality</td></tr>
<tr><td>Linked deferred annuities (in deferment) and group pensions</td><td>Overseas</td><td>Nil Mortality</td><td>Nil Mortality</td></tr>
<tr><td>Deferred annuities in payment</td><td>UK and overseas, group and individual</td><td>Modified PMA00<br>Modified PFA00</td><td>Modified PMA00<br>Modified PFA00</td></tr>
</table>

[1] AIDS 33% R6A (peak) for males only

<u>Assurance contracts using modified tables</u>

Where the mortality assumptions are based on the TM92/TF92 tables, age-related percentages are used. Select rates are used for conventional term assurance and ultimate rates for conventional whole life assurance and the Flexible Mortgage Plan. Sample mortality rates per 1000 lives are as follows:

Conventional term assurance – current year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.408 | 0.729 | 0.185 | 0.280 |
| 35 | 0.438 | 0.719 | 0.287 | 0.486 |
| 45 | 0.990 | 1.720 | 0.715 | 1.343 |
| 55 | 2.549 | 6.481 | 1.873 | 3.864 |

Conventional term assurance – previous year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.408 | 0.729 | 0.185 | 0.280 |
| 35 | 0.438 | 0.719 | 0.287 | 0.486 |
| 45 | 0.990 | 1.720 | 0.715 | 1.343 |
| 55 | 2.549 | 6.481 | 1.873 | 3.864 |

Conventional whole life assurance other than Bonus Mortgage Plan – current year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.421 | 0.421 | 0.218 | 0.218 |
| 35 | 0.444 | 0.444 | 0.348 | 0.348 |
| 45 | 1.025 | 1.025 | 0.892 | 0.892 |
| 55 | 2.917 | 2.917 | 2.406 | 2.406 |

Conventional whole life assurance other than Bonus Mortgage Plan – previous year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.421 | 0.421 | 0.218 | 0.218 |
| 35 | 0.444 | 0.444 | 0.348 | 0.348 |
| 45 | 1.025 | 1.025 | 0.892 | 0.892 |
| 55 | 2.917 | 2.917 | 2.406 | 2.406 |

Unitised Flexible Mortgage Plan – current year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.503 | 0.500 | 0.244 | 0.391 |
| 35 | 0.539 | 0.495 | 0.378 | 0.680 |
| 45 | 1.190 | 1.221 | 0.942 | 1.877 |
| 55 | 3.116 | 4.485 | 2.468 | 5.401 |

Unitised Flexible Mortgage Plan – previous year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.503 | 0.500 | 0.244 | 0.391 |
| 35 | 0.539 | 0.495 | 0.378 | 0.680 |
| 45 | 1.190 | 1.221 | 0.942 | 1.877 |
| 55 | 3.116 | 4.485 | 2.468 | 5.401 |

Deferred pension contracts (post vesting) including guaranteed annuity options.

Sample percentages of the base tables used for the current year (and previous year) valuation are:

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| At age 55 | 102.1% | 95.0% | 102.1% | 95.0% |
| At age 65 | 102.1% | 95.0% | 102.1% | 95.0% |
| At age 75 | 102.1% | 95.0% | 102.1% | 95.0% |
| At age 85 | 102.1% | 95.0% | 102.1% | 95.0% |
| At age 95 | 102.1% | 95.0% | 102.1% | 95.0% |

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

| Males | 2013 | 2023 | 2033 | 2043 | 2053 | 2063 |
|---|---|---|---|---|---|---|
| 55 | 3.00% | 1.32% | 2.51% | 2.50% | 2.50% | 2.50% |
| 65 | 2.71% | 2.68% | 1.92% | 2.50% | 2.50% | 2.50% |
| 75 | 2.74% | 2.34% | 2.51% | 2.40% | 2.50% | 2.50% |
| 85 | 3.29% | 1.73% | 1.80% | 1.95% | 1.94% | 1.94% |
| 95 | 0.99% | 1.52% | 1.36% | 1.37% | 1.39% | 1.39% |

| Females | 2013 | 2023 | 2033 | 2043 | 2053 | 2063 |
|---|---|---|---|---|---|---|
| 55 | 2.36% | 2.11% | 2.49% | 2.50% | 2.50% | 2.50% |
| 65 | 2.27% | 2.70% | 2.31% | 2.50% | 2.50% | 2.50% |
| 75 | 2.74% | 2.50% | 2.62% | 2.47% | 2.50% | 2.50% |
| 85 | 2.84% | 1.96% | 1.92% | 1.96% | 1.94% | 1.94% |
| 95 | 1.44% | 1.46% | 1.39% | 1.39% | 1.39% | 1.39% |

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

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 45 | 26.9 | 29.5 | 27.0 | 29.2 |
| 55 | 25.4 | 28.1 | 25.4 | 27.7 |

No other reserves for possible detrimental changes in mortality rates have been made.

## (5) Morbidity Basis

All morbidity assumptions are based on the reinsurer's rates for the relevant contract. Sample morbidity rates per 1000 lives are as follows.

Conventional endowment assurance (combined mortality and critical illness benefits) – current year:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 1.030 | 1.209 | 0.863 | 0.774 |
| 35 | 1.078 | 1.737 | 1.316 | 1.623 |
| 45 | 2.429 | 5.315 | 2.726 | 4.697 |
| 55 | 7.840 | 14.896 | 7.645 | 11.184 |

Conventional endowment assurance (combined mortality and critical illness benefits) – previous year:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 1.030 | 1.209 | 0.863 | 0.774 |
| 35 | 1.078 | 1.737 | 1.316 | 1.623 |
| 45 | 2.429 | 5.315 | 2.726 | 4.697 |
| 55 | 7.840 | 14.896 | 7.645 | 11.184 |

An allowance was made for a future deterioration of 0.375% p.a. for each of mortality, critical illness and TPD.

Flexible Mortgage Plan (combined mortality and critical illness benefits) – current year:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 1.062 | 1.251 | 0.766 | 0.947 |
| 35 | 1.122 | 1.815 | 1.211 | 2.061 |
| 45 | 2.440 | 5.358 | 2.489 | 5.915 |
| 55 | 7.764 | 14.799 | 6.766 | 13.646 |

Flexible Mortgage Plan (combined mortality and critical illness benefits) – previous year:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 1.062 | 1.251 | 0.766 | 0.947 |
| 35 | 1.122 | 1.815 | 1.211 | 2.061 |
| 45 | 2.440 | 5.358 | 2.489 | 5.915 |
| 55 | 7.764 | 14.799 | 6.766 | 13.646 |

Flexible Mortgage Plan (critical illness benefits only) – current year:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.633 | 0.721 | 0.493 | 0.610 |
| 35 | 0.889 | 1.389 | 1.188 | 2.020 |
| 45 | 2.021 | 4.262 | 2.476 | 5.882 |
| 55 | 7.055 | 12.986 | 6.505 | 13.120 |

Flexible Mortgage Plan (critical illness benefits only) – previous year:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.633 | 0.721 | 0.493 | 0.610 |
| 35 | 0.889 | 1.389 | 1.188 | 2.020 |
| 45 | 2.021 | 4.262 | 2.476 | 5.882 |
| 55 | 7.055 | 12.986 | 6.505 | 13.120 |

No allowance was made for future deterioration in mortality, critical illness or TPD.

## (6) Expense Basis

The following table shows the gross attributable expenses per policy:

| Product Group | Per Policy Expense | | | |
|---|---|---|---|---|
| | Current Valuation | | Previous Valuation | |
| | UK (£) | Ireland (€) | UK (£) | Ireland (€) |
| **Conventional With-Profits Business** | | | | |
| CWP savings endowment (120) | | | | |
| - premium-paying | 30.62 | 69.34 | 42.77 | 124.41 |
| -single premium / paid-up | 21.44 | 69.34 | 29.94 | 124.41 |
| CWP pensions (165) | | | | |
| - premium-paying | 155.60 | 69.34 | 217.31 | 124.41 |
| -single premium / paid-up | 108.93 | 69.34 | 152.13 | 124.41 |
| **Unitised With-Profits Business** | | | | |
| UWP savings endowment (510) | | | | |
| - premium-paying | 26.67 | N/A | 37.25 | N/A |
| -single premium / paid-up | 18.68 | N/A | 26.08 | N/A |
| UWP pension (525) | | | | |
| - premium-paying | 183.59 | 69.34 | 256.41 | 124.41 |
| -single premium / paid-up | 128.52 | 69.34 | 179.49 | 124.41 |

The expenses on life business are netted down for tax at 20%.

| Investment Expense (Gross of Tax) | Current valuation | Previous valuation |
|---|---|---|
| **Type of Business** | | |
| **Conventional With-Profits (CWP)** | | |
| UK CWP Life | 0.140% | 0.140% |
| UK CWP Pensions | 0.140% | 0.140% |
| UK NP | 0.080% | 0.080% |
| IRE CWP Life | 0.140% | 0.140% |
| IRE CWP Pensions | 0.140% | 0.140% |
| IRE NP | 0.105% | 0.105% |
| **Unitised With-Profits (UWP)** | | |
| UK UWP Life | 0.177% | 0.163% |
| UK UWP Pensions | 0.142% | 0.163% |
| IRE UWP Life | 0.186% | 0.163% |
| IRE UWP Pensions | 0.169% | 0.163% |

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

There is a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

There are no zillmer adjustments for the policies to which the above expenses apply.

### (7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions as there is no linked business.
Future expenses are assumed to increase at 5.55% p.a.

### (8) Future Bonus Rates

Assumed future bonus rates are 0% for all business, with the exception of unitised with-profits policies invested in the unit series where there is a guaranteed minimum bonus rate of 3% (Series 1, life business), 0% (Series 2, life business), 4% (Series 1, pensions business) or 0% (Series 2, pensions business). In these cases, the guaranteed bonus rates are used in the valuation.

The above rates are as per the 2013 bonus recommendation paper.

### (9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

### (10) Other Material Assumptions

There are no other material basis assumptions.

### (11) Allowance for Derivatives

Not applicable

### (12) Effects of Basis Changes

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

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

Guaranteed annuity rate options are included on the following contracts:

- Conventional pension pure endowments
- Simplified Pension Investment Funding Plan
- Select Executive and Personal Retirement Plans written in the Republic of Ireland prior to October 1998

For conventional pensions and the Simplified Pension Investment Funding Plan, the value of the guaranteed annuity at the vesting date is calculated based on the valuation mortality tables and interest rates set out in paragraphs 4 (4) and 4 (2) and is compared with the cash option (basic reserve). The total reserve is calculated as a weighted average of the reserves for the guaranteed annuity option and the cash option, based on the annuity take-up rate assumptions set out below. These assumptions take account of the guaranteed terms for escalating annuities, which are more onerous than those for level annuities.

Take-up rate assumptions:

| Contract | Cash option | Level annuity | Escalating annuity |
|---|---|---|---|
| Conventional pure endowments | 20% | 40% | 40% |
| Simplified Pension Investment Funding | 0% | 0% | 100% |

The reserves based on these assumptions are subject to a minimum of 95% of the reserves that would be held based on assumptions of 100% level annuities for conventional pure endowments and 100% escalating annuities for Simplified Pension Investment Funding Plan.

For the Select Executive and Personal Retirement Plans, the non-unit liabilities were explicitly calculated allowing for the increased cost of projected benefits at the selected normal retirement date arising from the guaranteed annuity options. This increased cost was based on the ratio of the cost of £1 per annum pension on the valuation basis to that on the basis underlying the guaranteed annuity rates. The projections took account of growth on units already purchased as well as that on units due to be allocated in respect of future premiums both at the current level and resulting from any selected premium indexation. No allowance was made for either lapses or the cessation of premium indexation prior to retirement.

| **Product** | **Basic Reserve** | **O/S Duration** | **Gtee Reserve** | **GAO Rate (male aged 65)** | **Incrs Yes/No** | **Ann. Form** | **Ret. Ages** |
|---|---|---|---|---|---|---|---|
| | **£m** | **years** | **£m** | | | | |
| Conventional Pension Pure Endowments | 96.0 | 0 - 32 | 99.8 | 11.1% / 4.6% (UK) 11.1% / 9.1% / 4.6% (Ireland) | Yes | * | 50-75 |
| Simplified Pension Investment Funding Plan | 56.8 | 0 - 14 | 20.4 | 10.0% / 4.5% | Yes | * | 50-75 |
| Select Executive & Personal Retirement Plan | 19.7 | 0 - 41 | 13.1 | 9.1% | Yes, but guaranteed annuity rates do not apply. | * | 60-70 |

* Sample guaranteed annuity rates are provided based on single life, level annuities paid monthly in advance and guaranteed for 5 years. Other options are available. For the Simplified Pension Investment Funding Plan, the basis of the annuity is decided at scheme level; for the other plans, policyholders may choose a different basis, e.g. with spouse’s annuity, escalating payments or different payment frequency.

For Conventional Pensions, the guaranteed annuity rates were reduced in July 1999 in the UK and in both March and October 1998 in the Republic of Ireland. For the Simplified Pension Investment Funding plan, the guaranteed annuity rates were reduced in June 1999. The sample rates shown above are those applicable before and after these reductions.

## (2) Guaranteed Surrender and Unit-linked Maturity Values

Additional reserves are held for the following guarantees. The additional reserves are deemed sufficient to cover the additional liability arising under the most onerous of the guarantee option dates in each case.

- Certain conventional endowment assurances (Selected Period Investment and Step-up Investment Plan) are written to mature on the policy anniversary before the 65$^{th}$ birthday but offer guaranteed early maturity values on each policy anniversary from the tenth onwards.

- UK Early Option Mortgage plans (with-profit endowment assurances) offer guaranteed early maturity options on any of the last five policy anniversaries.

- Irish Options Plus Endowment Plans (with-profit endowment assurances) offer guaranteed early maturity options on each policy anniversary from years 5 or 10 onwards.

- Irish Capital Options plans (with-profit endowment assurances) were available for terms of between 10 and 30 years (subject to a maximum age at expiry of 85) but with guaranteed early maturity options available on each policy anniversary from the fifth anniversary onwards.

- Irish Bonus Mortgage Plans offer guaranteed early maturity options on each policy anniversary from year 10 onwards.

- Certain conventional deferred annuities were written to retirement ages of 70 or 75 but with guaranteed early retirement factors from age 60.

No additional reserve is required for the following guarantees:

- UK Capital Investment Bonds investing in the Series I With-Profits Life Fund guarantee that no MVA will be applied on quinquennial policy anniversaries. There has been no new business since 1997 and so this business falls outside the commencement period for which MVAs apply.

- Irish With-Profits Bonds sold after March 1999 have a surrender value guarantee of a return of premium on the fifth policy anniversary. The amount of basic reserve held is greater than total premium in force, and so no additional reserve is required.

| Product | Basic Reserve | O/S Duration | Gtee Reserve | Gtee Amount | MVA-free conditions | In-force premiums | Incrs Yes/No |
|---|---|---|---|---|---|---|---|
| | £m | years | £m | £m | | £m | |
| Selected Period Investment | 83.3 | 0 - 34 | 1.9 | 47.7 | n/a | 2.0 | No |
| Step-up Investment Plan | 65.5 | 0 - 34 | 3.0 | 66.5 | n/a | 3.2 | No |
| UK Early Option Mortgage Plans | 32.1 | 0 - 23 | 0.7 | 45.1 | n/a | 2.7 | No |
| Irish Options Plus Endowment Plan | 11.2 | 0 - 35 | 0.1 | 7.3 | n/a | 0.2 | No |
| Irish Capital Options | 15.6 | 0 - 20 | 0.4 | 19.3 | n/a | 1.1 | No |
| Irish Bonus Mortgage Plan | 5.3 | 0 - 23 | 0.1 | 5.7 | n/a | 0.4 | No |
| Deferred annuities (SEDA) | 346.5 | 0 - 47 | 0.2 | 16.6 | n/a | 2.1 | No |
| UK Capital Investment Bonds | 52.3 | 0 - 74 | 0.0 | 41.8 | On quin-quennial annivers-aries | 0.0 | No |
| Irish With-Profits Bonds | 1.8 | 0 - 79 | 0.0 | 1.8 | n/a | 0.0 | No |

### (3) Guaranteed Insurability Options

Not applicable

### (4) Other Guarantees and Options

Not applicable.

## 6. EXPENSE RESERVES

### (1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £4.60m. This is composed of the following elements:

| | £m |
|---|---|
| Explicit allowances for investment expenses | 0.00 |
| Explicit allowances for other maintenance expenses | 2.85 |
| Implicit allowances for investment expenses | 1.75 |

## (2) Implicit Allowances

The implicit allowance for investment expenses has been calculated as a reduction in the valuation interest rate, which is the rate of the investment manager's fees. The expense by class of business is shown in the table above under paragraph 4 section (6) Expense Basis.

## (3) Form 43 Comparison

The table below shows the difference between the amount in paragraph 6 (1) and that reported on line 14 of Form 43.

| | F43.14 | Table 6(1) | Difference |
|---|---|---|---|
| | (a) | (b) | (a) - (b) |
| | £m | £m | £m |
| Maintenance expenses | 10.28 | 2.85 | 7.43 |
| Investment management expenses | 2.96 | 1.75 | 1.21 |
| Total | 13.24 | 4.60 | 8.64 |

The expense loadings in Table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in Form 43 line 14, though this is partly offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally the following differences exist between the two:

- Form 43 includes the UWP maintenance expenses of £4.3m which are not included in Table 6 (1) as they are not allowed for explicitly in the Peak 1 model
- Form 43 includes the Irish Pension Levy of £2.6m as part of the maintenance expense which is not included in Table 6 (1)
- Form 43 includes a services fees cost of £0.5m as part of the maintenance expense which is not included in Table 6 (1)

## (4) New Business Expense Overrun

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

## (5) Maintenance Expense Overrun

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

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

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

## (6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

# 7. MISMATCHING RESERVES

## (1) Analysis of Reserves by Currency

| | Matching Assets | | | |
|---|---|---|---|---|
| | Mathematical Reserves | Same Currency | Other Currency | Mismatching Percentage |
| **Currency** | **£m** | **£m** | **£m** | **0** |
| Sterling (£) | 1,280.6 | 1,280.6 | 0.0 | 0% |
| Euro (€) | 448.6 | 378.3 | 70.3 | 16% |

## (2) Other Currency Exposures

Not applicable

## (3) Currency Mismatching Reserve

An implicit allowance for currency mismatching has been calculated as a reduction in the valuation rate of interest.

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

Not applicable

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

Not applicable

## (6) Resilience Capital Requirement

Not applicable

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

No reserve is required for mismatching. Liabilities are analysed by duration and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

# 8. OTHER SPECIAL RESERVES

An additional reserve of £0.8m was held for credit default provision at 31 December 2012 to reflect the impact of a 5% prudence margin in the Regulatory Peak default assumption. This reserve has been released.

## 9. REINSURANCE

### (1) Facultative Reinsurance

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

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

### (2) Reinsurance Treaties

Not applicable

## 10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

| Bonus series | Mathematical reserves £m | Reversionary bonus rate (current year) | Reversionary bonus rate (previous year) | guaranteed bonus rate (current year) |
|---|---|---|---|---|
| **Conventional business** | | | | |
| UK Conventional assurances (life) | 514.4 | 1.5% | 0% | 0% |
| Irish Conventional assurances (life) | 49.4 | 3.0% | 0.5% | 0% |
| Conventional individual deferred annuities and pure endowments | 581.7 | 1.5% | 0% | 0% |
| **Unitised Business** | | | | |
| Unitised Life Series I | 52.3 | 3% | 3% | 3% |
| Unitised Life Series II | 25.3 | 2% | 1% | 0% |
| Irish Unitised Life Fund | 2.3 | 1% | 1% | 0% |
| Unitised Pensions Series I | 299.6 | 4% | 4% | 4% |
| Unitised Pensions Series II | 94.8 | 2% | 1% | 0% |
| Irish Unitised Pensions Series I | 14.4 | 4% | 4% | 4% |
| Irish Unitised Pensions Series II & III | 17.6 | 1% | 1% | 0% |
| Simplified Pension Investment Funding Plan Tranche 4 | 1.7 | 6% | 6% | 6% |
| Simplified Pension Investment Funding Plan Tranche 5 | 15.5 | 5.25% | 5.25% | 5.25% |
| Simplified Pension Investment Funding Plan Tranche 6 | 20.5 | 4.5% | 4.5% | 4.5% |
| Simplified Pension Investment Funding Plan Tranche 7 | 30.1 | 4% | 3% | 3% |
| Simplified Pension Investment Funding Plan Tranche 8 | 9.4 | 5% | 2.5% | 0.5% |

For unitised with-profits policies, the reversionary bonus is added daily in the form of growth of the unit price.

# NPI With-Profits Fund

As part of the transfer of NPIL to PLL on 1st January 2012 a new NPI WP fund was created. NPIL held predominantly non-profit business but the unit-linked business had a unitised with-profit (UWP) option and this business transferred to NPI WP.

The UWP business is wholly reinsured to Phoenix Life Assurance Limited (the former Pearl Assurance Limited), including associated expenses and charges; the NPI With-Profits fund therefore has no net assets. Asset shares and any bonuses paid by the NPI WP fund are determined by the reinsurer. As a consequence the NPI With-Profits fund does not require the appointment of a With-Profits Actuary. Further to this it is also not the intention to complete a separate Appendix 9.4 for the NPI With-Profits fund, instead relevant questions have been addressed in Appendix 9.4 of the Non Profit Fund.

# Non Profit Fund

## 3. DISCRETIONARY CHARGES AND BENEFITS

### (1) Application of Market Value Reduction

**Policies previously written in PLL, Alba, Century, BULA, SMA, SPL, BRS, BA**

Not applicable.

**Policies previously written in NPIL**

Market value reductions ("MVRs") were applied on NPIL business as follows:

| Product | Premium Investment Date | Period applied |
|---|---|---|
| Portfolio Bond Series 1 | Jan 2000 to Jun 2001 | Throughout 2013 |
| | Jul 2001 to 16 Sep 2001 | Until 30 Mar 2013 |
| | Apr 2007 to Dec 2007 | Until 30 Mar 2013 |
| Portfolio Bond Series 2 | Jan 2000 to Jun 2001 | Throughout 2013 |
| | Jul 2001 to 16 Sep 2001 | Until 30 Mar 2013 |
| | Apr 2007 to Dec 2007 | Until 30 Mar 2013 |
| Investment Bond | Oct 2000 to Jun 2001 | Throughout 2013 |
| | Jul 2001 to 16 Sep 2001 | Until 30 Mar 2013 |
| | Oct 2006 to Dec 2006 | Until 30 Mar 2013 |
| | Jan 2007 to Mar 2007 | Until 29 Jun 2013 and |
| | | from 30 Sep 2013 to 31 Dec 2013 |
| | Apr 2007 to Dec 2007 | Throughout 2013 |
| Socially Responsible Investment Bond | Oct 2000 to Mar 2001 | Until 30 Mar 2013 |
| | Apr 2007 to Jun 2007 | Until 30 Mar 2013 |
| Pensions business (excluding Capital Account) | Jan 2000 to Jun 2001 | Throughout 2013 |
| | Jul 2001 to 16 Sep 2001 | Until 30 Mar 2013 |
| | Jan 2007 to Dec 2007 | Until 30 Mar 2013 |
| | Apr 2013 to Jun 2013 | From 30 Sept 2013 to 31 Dec 2013 |
| Socially Responsible With-profit Pensions business | Feb 2001 to Mar 2001 | Until 30 Mar 2013 |
| | Apr 2007 to Jun 2007 | Until 30 Mar 2013 |

**(2) Premiums on Reviewable Protection Policies**

The following table shows the changes to premiums on non-linked reviewable protection policies since the previous valuation date.

| Previous Company | Product | No of Policies | Annual Premium (£000s) | Range of increase From (%) | To (%) |
|---|---|---|---|---|---|
| BULA | Mortgage Cover Plan | 466 | 166 | -3% | 106% |
| Century | Ex-NAL Critical Illness Plan | 6,383 | 1,544 | 0% | 35% |

The following table shows the reviewable protection policies where there were no changes to premiums since the previous valuation.

| Previous Company | Product | No of policies | Annual premium in (£000s) |
|---|---|---|---|
| BA | Decreasing term assurance | 402 | 112 |
| BA | Level Term assurance with critical illness | 240 | 44 |
| BA | Critical illness | 931 | 195 |
| BA | Pensions term assurance | 3,315 | 526 |
| BULA | Life Cover Plan | 164 | 49 |
| BULA | Total Cover Plan | 373 | 139 |

**The following table shows the yearly renewable term assurance policies where there were no changes to underlying premium rates since the previous valuation.**

| Previous Company | Product | No of policies | Annual premium in (£000s) |
|---|---|---|---|
| PLL | Progressive Protection Plan | 6,106 | 22,459 |
| PLL | Flexible Mortgage Plan | 1,432 | 460 |

## (3) Non-profit deposit administration contracts

**Policies previously written in PAL**

The Pension Plan for the Self-Employed (PPSE) is a deferred annuity contract approved under section 226 of the Income and Corporation Taxes Act 1970.

The Executive Pension Plan (EPP) is designed for treatment as an exempt approved scheme as defined in the Finance Act 1970.

The Voluntary Pension Plan (VPP) provides additional benefits at retirement for members of approved company pension schemes through voluntary contributions of the member.

Under these contracts premiums for retirement benefits are paid into a Pension Account, interest being declared monthly in advance and compounded annually.

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

| Month | Interest Rate %p.a. |
|---|---|
| | |
| January | 3.39% |
| February | 3.38% |
| March | 3.38% |
| April | 3.36% |
| May | 3.37% |
| June | 3.36% |
| July | 3.36% |
| August | 3.34% |
| September | 3.33% |
| October | 3.33% |
| November | 3.32% |
| December | 3.30% |

**Policies previously written in SLUK**

The interest rate applied during 2013 on deposit administration contracts previously written in SLUK was 0.8%.

**Policies previously written in Century**

<u>Non profit Deposit Administration</u>

This is a group deposit administration policy approved under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the account accumulates with credited interest additions which are the greater of:

a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%; and

b) A basic credited rate increased by 1.5%.

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

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are 0.00% p.a. for each month.

The Pensions 2000 Range (First Series)

This range consists of four varieties of one underlying group contract capable of exempt approval under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

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

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

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

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

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are 0.00% p.a. for each month.

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

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

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

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

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

Century Group Deposit Administration

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

Century Personal Pension Plans - pre April 1980

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

Century Personal Pension Plans - post April 1980

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

Century Capital Pension Plans

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

Century Executive Pension Plans

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

**Policies previously written in Alba, BULA, BRS, BA, SMA, SPL and NPIL**

There are no deposit administration policies in force.

### (4) Service Charges on Linked Policies

**Policies previously written in PLL, Alba, Century, BULA, SMA, SPL and NPIL**

The following table shows the range of changes to policy fees on unit-linked contracts during 2013:

| Ex-Company | Minimum % increase | Maximum % increase |
|---|---|---|
| PLL | 0.00% | 4.44% |
| Alba | 1.39% | 3.02% |
| Century | -0.32% | 3.32% |
| BULA | 3.51% | 5.88% |
| SMA | 0.92% | 3.51% |
| SPL | 2.13% | 5.56% |
| NPIL | 1.50% | 3.15% |

**Policies previously written in BRS**

There are no linked policies with service charges.

**Policies previously written in BA**

There are no linked policies in force.

## (5) Benefit Charges on Linked Policies

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

## (6) Accumulating With Profits Charges

There were no changes to the unit management charges or notional charges on accumulating with profit policies and linked business during the year.

## (7) Unit Pricing of Internal Linked Funds

**Policies previously written in PLL**

(a) Method used for cancellation and creation of units

All units are allocated to policies at the offer price calculated at the first valuation subsequent to the decision to allocate units. For non-Group units the fund is credited with an amount equal to the number of units allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively).

For Group units the fund is credited with an amount equal to the number of units allocated multiplied by the offer price.

All units are de-allocated from policies at the bid price calculated at the first valuation subsequent to the decision to de-allocate units. For non-Group units the fund is debited with an amount equal to the number of units so de-allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively). For Group units the fund is debited with an amount equal to the number of units de-allocated multiplied by the bid price.

Method used to determine prices of non-Group units in internal linked funds (except units in the Old Building Society Fund)

Prices of non-Group units in internal linked funds are calculated periodically thus:

(i) The assets of the fund are valued at 8 a.m. on the valuation day using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund less any appropriate tax charge is credited to the fund. Allowance is made for accrued income less deductions for any tax charges, both actual and prospective, and any other appropriate deductions permitted by policy conditions which includes investment management expenses for certain products.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on the current and recent trend and magnitude of unit transactions in the fund.

(ii) The value determined in (i) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

(iii) Except for the Lifestyle Bond fund series and the Pensions Solutions fund series (for the range of pension products launched on 6 April 2001), a fund management charge is deducted from the fund at the applicable rate. The fund value for charging purposes may or may not include dealing costs adjustments and certain tax adjustments depending on policy conditions.

(iv) The value of the fund thus determined divided by the number of units in issue represents the creation price (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

(v) The offer price is calculated as the creation price or cancellation price, if the assets of the fund are valued on a creation basis and cancellation basis respectively, multiplied by A/B and rounded. The bid price is calculated as B% of the offer price and rounded, where:

A = 101 for all ULA and ULPF fund series except Money and Shield fund series
= 100 for other fund series

B = varies between 94 and 100. 100 less B represents the bid/offer spread

(vi) Prices in the Deposit and Money funds are guaranteed not to fall.

Method used to determine prices in the Old Building Society fund

The change in unit price of accumulation units is linked to the change in the lowest rate of interest used by Santander (previously Abbey National plc) for new repayment mortgages granted on owner-occupied private domestic premises. In the event that no such rate or more than one rate is used, the Company may use a rate that is in its opinion fair and reasonable. In the case of capital units only, an additional annual management charge, currently 3.5%, applies.

Method used to determine prices of Group units in internal linked funds

Prices of Group units in internal linked funds are calculated periodically thus:

(i) The assets of the fund are valued on the last working day of the month at 8 a.m. using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund is credited to the fund. Allowance is made for accrued income, both actual and prospective, and any appropriate deductions permitted by policy conditions. Certain costs incurred are met by the fund, e.g. custodian's fees, stamp duty and other dealing costs. Investment management expenses are met by the Company.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on whether there is a net cancellation or creation of units at the valuation date.

(ii) The value determined in (i) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

(iii) A fund management charge is deducted from the fund at the applicable rate.

(iv) The value of the fund thus determined divided by the number of units in issue represents the creation price (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

There is no bid/offer spread. If the fund is valued on a cancellation basis the bid and offer prices are calculated as the rounded cancellation price. If the fund is valued on a creation basis the bid and offer prices are calculated as the rounded creation price.

Method used to determine prices of units in internal linked funds (SLUK, ex-OB Fund)

In pricing units in internal linked funds, investments are valued at the lowest available offer price or the highest available bid price with appropriate allowance for the expenses of purchase or sale. The decision to value on a bid or offer basis is based on whether the trend of the number of units in the fund is downwards or upwards. The valuation is used to determine the bid price, the offer price being determined by adding the bid/offer spread to the bid price. Units are created and cancelled at the bid price; they are allocated to policies at the offer price and redeemed at the bid price. The prices used are those in effect on the day following a decision to carry out a transaction, or on the day a transaction is effected. Pricing is normally carried out daily for those funds which are invested in equities. For other funds, pricing is normally carried out weekly, the prices applying to the following seven days.

(b) Different Pricing Bases

Other than the differences mentioned in (a), different pricing bases do not apply to different policies.

(c) Units in Collective Investment Schemes

Funds buy units in certain collective investment schemes managed by Ignis Asset Management at the creation price and sell units at the cancellation price. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

For externally managed funds, purchases are normally made at the offer price and sales at the bid price.

In addition, for fund series formerly in ULA and ULPF, Series 8, 9 and 10 units for funds formerly in SAPL and the Lifestyle Bond and Pensions Solutions fund series, any remaining unit trust or Open Ended Investment Company fund management charge net of any rebate is reimbursed by the Company to the internal linked fund.

**Policies previously written in Alba**

(a) Method used for cancellation and creation of units

For all contracts described in this section, unless otherwise stated, the following features apply:

- All unit purchases are subject to a charge (representing the bid-offer spread) of typically 5%.
- There is currently no charge for one switch between funds every year (though the company reserves the right to introduce such a charge at any time). Charges are normally made for each switch after the first.

(i) The price at which the company creates and liquidates units is on the bid price on the day in question.

(ii) Assets are valued at market values where they exist. The following rules apply:

| Asset | Bid price | Offer Price |
|---|---|---|
| Cash | Face value | Face value |
| Internal linked Fund | Bid | Bid |
| Fixed interest | Bid minus dealing | Offer plus dealing |
| Internal unit trust | Cancellation | Creation |
| External unit trust | Bid | Offer |
| Equity | Bid minus dealing | Offer plus dealing |
| Property | Market value minus sale costs | Market value plus purchase costs |

Most of the "Main Funds", i.e. the Internally Managed BLAS Life and Pensions Funds, are invested directly in Ignis Asset Management's unit trusts which are mainly valued at noon daily.

Calculating bid and offer values of the units

The asset values used in the calculation of unit prices include an allowance for dealing costs of buying or selling the assets.

The initial charge incorporated into the calculation of maximum offer prices is fixed at 5/95 of the value of the Fund.

(iii) Basis of valuation of assets

Funds' unit movements are reviewed on a regular basis. If there are net sales expected in the medium term then a fund would be valued on an offer basis, otherwise the fund would be valued on a bid basis.

(iv) Timing of asset valuation

The Main Funds are valued at noon each day. Funds which are cross invested in other BLAS Funds are valued after pricing the principal Funds and therefore receive same day price.

The Externally Managed Funds are priced on previous day's closing values, the one Branded Fund being valued daily and the others routinely on the first business day of every month and as required by clients or for unit transactions.

(b) Different Pricing Bases

There are no differences applying to different policies.

(c) Collective Investment Schemes

This is covered in (a) above.

**Policies previously written in Century**

(a) Method used for cancellation and creation of units

The valuation price of a unit is calculated by dividing the market value of the relevant assets, including accruals for income and charges and after adjustment for accrued liability for tax on income and on realised and unrealised capital gains and losses, by the number of units in existence for the fund / type.

The creation price of a unit is obtained in the same way as the valuation price, having regard to the offer value of the investments plus the costs of acquisition. The cancellation price is similarly obtained having regard to the bid value of the investments less the costs of disposal.

If a fund has a net cash inflow and this is expected to remain so then the creation price will be used to allocate units to and, within limits, to de-allocate units from funds. Where a fund has a net cash outflow and is expected to remain so then the cancellation price will be used to de-allocate units from and, within limits, to allocate units to funds.

For funds priced on a bid (cancellation) basis, the published bid price is determined from the cancellation price and, where the policy conditions permit, it may be rounded down by up to 1%. However, most prices are rounded to the nearest tenth of a penny. The offer price is then obtained by multiplying by 100/(100-bid offer spread %).

For funds priced on an offer (creation) basis, the published offer price is determined from the creation price multiplied by 100/(100-bid offer spread %) and, where the policy conditions permit, may be rounded up by up to 1%. However, most prices are rounded to the nearest tenth of a penny. The published bid price is then (100-bid offer spread)% of the offer price.

Valuations are carried out daily based on the previous night's closing market values of the investments. Some prices may be adjusted to reflect market and currency movements from the previous close until the valuation of the linked fund. Unit movements are allocated using the price calculated on the same day as the movements are processed. If a policyholder request to deal is received by post, then it is processed using the price on the day of receipt of the notification. If the notification is received by fax, then the following day's price is used.

(b) Different Pricing Bases

Except in very rare situations where a policyholder unit reduction is so large as to attract a dilution levy, at any one time the same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

Funds buy units in certain collective investment schemes managed by Ignis Asset Management at the creation price and sell units at the cancellation price. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

Where externally-managed collective investments are held, either the published offer price or the published bid price of the underlying unit trust is used, as appropriate. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

**Policies previously written in BULA**

(a) Method used for cancellation and creation of units

*Ex-Unit Linked Fund: Other than Pensions Managed Fund business*

Units are allocated to policies at the published offer price on the valuation date immediately following the date of receipt of the premium. On maturity, units are cancelled at the bid price on the valuation date immediately preceding the maturity date. On retirement, units are cancelled at the bid price on the last valuation date in the month of the selected retirement date. On death, critical illness, surrender, transfer, withdrawal, early retirement or other early termination, units are cancelled at the bid price on the valuation date following date of notification. Charges for mortality and terminal and critical illness cover, where applicable, are made by cancelling units at the bid price.

Units are only created in any linked fund if assets equivalent to such units are added simultaneously to the fund. Except for the purposes of meeting all expenses, charges and any tax liabilities or for reinvestment, assets are only withdrawn from any linked fund if units equivalent to such assets are simultaneously cancelled.

Currently unit prices are determined by valuing the assets of the linked funds weekly, normally on a Wednesday, the valuation date. The day and frequency of such valuations may be amended after giving prior notice. The valuation takes account of all assets including uninvested cash. Stock exchange securities are valued using quoted prices. The value of land and buildings, if any, is based on valuations prepared by independent valuers with due allowance for variations since such valuations. The values of other assets are determined after taking any advice from independent experts or valuers where appropriate.

The offer value of a linked fund is the value of the investments at the prices at which they might be purchased on the valuation date, increased by amounts to cover acquisition costs of these investments and for accrued investment income and reduced by amounts to cover provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The offer price of a unit is the offer value divided by the number of units, multiplied by 100/95 and the result rounded to the nearest tenth of a penny. The published offer price may vary below this offer price.

The bid value of the linked fund is the value of the investments at prices at which they might be sold on the valuation date, increased by amounts for accrued investment income and reduced by amounts to cover realisation costs, provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The bid price of a unit is the bid value of the fund divided by the number of units, rounded to the nearest tenth of a penny. The published bid price may vary above this bid price.

When the published prices are based on an offer basis, then the published offer price is the rounded offer price and the published bid price is 95% of the published offer price. When the published prices are based on a bid basis, then the published bid price is the rounded bid price and the published offer price is 100/95 times the published bid price. The offer basis is generally used for periods of net creation of units and a bid basis is generally used for periods of net cancellation of units. All funds are currently on a bid basis.

*Ex-Unit Linked Fund: Stakeholder Pension*

These funds are priced daily, on an offer basis if there are net creations that day or on a bid basis if there are net cancellations that day. They are single priced and there is no bid/offer spread.

The offer basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be bought, increased by amounts to cover dealing costs and taxes, where applicable, divided by the number of units, then reduced by the equivalent of one day's management charge and then rounded to two decimal places.

The bid basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be sold, decreased by amounts to cover dealing costs, divided by the number of units, then reduced by the equivalent of one day's management charge and then rounded to two decimal places.

*Ex-Unit Linked Fund: Pensions Managed Fund Business*

Up to and including 30 November 2003 these funds were priced in a similar way as described above for Stakeholder Pension business.

From 1 December 2003, unit prices are calculated gross of management charges. Management charges are taken by unit encashment.

*Ex-Non-Profit Fund: Other than the Capital and Super Plan*

Unit prices are determined weekly. Unit prices may be determined more frequently at the company’s discretion.

Policyholders buy units at the next available published offer price following the day that premiums are paid. Units are bought from policyholders at the next bid price following an instruction to switch units and at the current bid price at the time of maturity or death. Unit charges are deducted at the latest bid price at the time the charge is made. On surrender, units are valued at the latest bid price following receipt of all necessary documentation.

Units in the internal linked funds are created or cancelled at the unrounded offer price to match the number of units allocated or deallocated from policies. When there is expected to be a net purchase of underlying assets over the medium term, the internal linked funds are valued on an offer basis. A bid basis is used when net sales are expected.

When the funds are valued on an offer basis, unrounded offer prices are equal to the net asset value per internal unit for each unit fund. For a particular fund the asset value is:

- the lowest offer value of assets as at the close of the previous working day
- plus an estimate of the buying expenses incurred in purchasing an identical portfolio of assets
- plus investment income (net of tax for life funds)
- minus, for life funds, a provision for accrued realised and unrealised capital gains tax
- minus an amount in respect of accrued annual management charge.

The latter item is deducted weekly.

When the funds are valued on a bid basis, unit allocations and deallocations again take place using an unrounded offer price. This again is equal to the net asset value per internal unit for each unit fund. In this case for a particular fund the asset value is

- the highest bid value of assets at the close of the previous working day
- less an estimate of the cost of realising the portfolio of assets
- plus investment income (net of tax for life funds)
- minus, for life funds, a provision for accrued realised and unrealised capital gains tax
- minus an amount in respect of accrued annual management charge.

The latter is deducted weekly.

On both bases, the published offer price is the unrounded offer price rounded up to the nearest 0.5 pence. The published bid price is calculated as 95% of the published offer price rounded down to the nearer 0.5 pence.

Within each fund, all policyholder units are valued using the same basis.

*Ex-Non-Profit Fund: Capital and Super Plan*

Unit prices are calculated on the 16th of each month based on closing prices on the 15th. Premiums are paid on the 15th of each month and policyholders purchase units at the offer price calculated on the 16th. On maturity or death, units are cancelled at the latest bid price. On surrender, units are cancelled at the latest bid price following receipt of all documentation. Super Plan units may be surrendered only on the 16th of each month. At the company's discretion Capital Plan units could be surrendered at the next available bid price.

Bid/offer spreads and the pricing basis is laid down in the policy documents. The published Capital Offer price is the unrounded price multiplied by 1.0125 rounded to the nearest half pence. The published Capital Bid price is calculated as 0.9875 times the unrounded price rounded in the same way as the Offer price. The published Super Plan Offer price is the unrounded price multiplied by 1.0175 rounded in the same way as the Capital prices. The published Super Plan Bid price is calculated as 0.9825 times the unrounded price rounded in the same way as the Capital prices.

Unrounded prices are equal to the net asset value per internal unit for each unit fund. For each fund the asset value is the mid market value of assets as at the close on the 15th of the month minus a provision for accrued realised and unrealised capital gains tax.

<u>(b) Different Pricing Bases</u>

The same pricing bases apply to different policies investing in the same internal linked funds.

<u>(c) Collective Investment Schemes</u>

Funds buy units in certain collective investment schemes managed by Ignis Asset Management at the creation price and sell units at the cancellation price. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

Where externally-managed collective investments are held, either the published offer price or the published bid price of the underlying unit trust is used, as appropriate. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

**Policies previously written in BRS**

(a) Method used for cancellation and creation of units

For the Equity Release Plan there is a single unit in each individual internal linked fund. For the purpose of determining unit prices, properties in the funds are held at vacant possession open market value. Properties are independently valued at acquisition and at least once every three years thereafter. The internal linked funds are valued at least once in each calendar year on the basis of the most recent valuation of the property adjusted using statistics for movements in house prices since the date of the last valuation.

(b) Different Pricing Bases

The same pricing basis is used for all policies at all times.

(c) Collective Investment Schemes

The units are not in collective investment schemes.

**Policies previously written in BA**

The unit liabilities for unit linked policies were reinsured to BULA. See "*Ex-Unit Linked Fund: Other than Pensions Managed Fund business*."

**Policies previously written in SMA and SPL**

(a) Method used for cancellation and creation of units
The pricing basis depends on whether the unit-linked fund is expanding or contracting.

The company reviews the pricing basis regularly. Most funds are priced on a contracting basis and in general each fund will be considered to be contracting unless there is evidence of material new money being paid into the fund and a likelihood that will continue over the medium term.

The Bare Price of the fund is the creation Price or cancellation Price, depending on which pricing basis is being used (see below for details).

Method used for allocation and de-allocation of units
The quoted offer price for a particular day is the Bare Price divided by (1 minus the initial charge) and rounded up by no more than 0.1p. The initial charge is typically 5 or 6%.

The quoted Bid Price equals the quoted Offer Price adjusted for the Bid-Offer Spread (usually equal to the Initial Charge) and rounded to the lower 0.1p.

The prices used for transactions on a particular day are determined based on the asset position of the fund at 12pm on the previous working day (except Broker Managed Funds which are priced at close of business). The timing of the transaction relative to the time at which the policyholder requested the trade varies by product and is defined in the policy conditions. We no longer accept faxed instructions.

Exceptional circumstances
Special bid and offer prices may be quoted for a material transaction or series of bid and offer prices may be quoted for a material transaction or series of transactions. "Material" means any one transaction or series of transactions which are of such a size that the company considers the basis of the pricing should change from creation to cancellation or vice versa to maintain equity between the transacting policyholders and remaining policyholders in the fund.

(b) Different Pricing Bases

The same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

The internal linked funds managed by Ignis invest predominantly in unit trusts and OEICs. These collective investment schemes are valued using the creation or cancellation price for the collective investment scheme as appropriate for the net expansion or contraction of the linked fund. The price calculated for the collective investment scheme on a particular day is used in the valuation of the linked fund on the same day and is the price at which policyholder transactions in the linked fund on that working day are based.

Where funds are invested in externally-managed collective investment schemes, they are valued using either offer or bid prices as appropriate for the net expansion or contraction of the fund.

In all cases prices of collective investment schemes may be adjusted to reflect market and currency movements from their valuation point until the valuation of the linked fund.

**Policies previously written in NPIL**

(a) Method used for cancellation and creation of units

Units are of two main types. They are called initial and ordinary in NPIL and the corresponding types are capital and accumulation in PAUF and PAULP. LLLA has only accumulation units. The following method applies to all units.

(i) The creation or cancellation of units in the internal linked funds is performed at un-rounded 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 on certain PAUF and PAULP policies whose bid prices are rounded to the higher tenth of a penny. Units are allocated to policies at the offer price and cancelled at the bid price. Units are allocated to Stakeholder policies at bid price. Switches in and out of units within a policy are processed at bid prices.

(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. This market adjustment is made automatically every day for LLLA business.

(b) Different Pricing Bases

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

(c) Collective Investment Schemes

Other than the Multi Manager Pension Fund, the funds are invested in collective investment schemes managed by Henderson. A mid- market price applies to these collectives 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 un-swung 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 and the assets of the NPIL Multi Manager Pension Fund, where the most recent prices of the collective investment schemes are used.)

**(8) Tax Deductions From Internal Linked Funds**

This section is applicable to taxable life funds only. Pension funds may suffer tax to the extent that deductions cannot be reclaimed on underlying assets, although generally there would be no direct deductions in unit pricing.

**Policies previously written in Alba**

<u>Tax on income</u>

Tax on income is calculated at the full policyholder tax rate of 20%.

<u>Tax on loan relationships</u>

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

<u>Capital Gains Tax (CGT) on other assets</u>

Tax is applied to each internal linked fund as if it were a separate fund for tax purposes.

For ordinary disposals each taxable gain is charged at the rate in force at the time of disposal. Details of tax liabilities in respect of investment income and realised capital gains are incorporated into unit pricing from the investment ledger on a daily basis.

In the case of deemed disposals, this is carried out at the end of each financial year and the tax deducted from the funds. Where a gain occurs subsequent to previous losses, those losses are used to offset the gain. Where a loss occurs subsequent to gains in the previous 2 years an amount of tax is credited back to the fund. Tax expected to be payable in current and future years as a result of a deemed disposal is removed from the fund in full but at a discounted rate, during the deemed disposal process. The rate at 31 December 2013 was 19.5%.

Current liabilities are maintained in the fund that reflect the Fund's accrual of unrealised capital gains but this may be discounted to the extent that tax on them can be deferred. While a fund is valued on a bid basis in response to net outflow of policyholder money, the full rate of tax is applied to unrealised gains.

An appropriate allowance is made for indexation in the calculation of gains subject to taxation.

**Policies previously written in Century and BULA**

This includes policies transferred from Allianz Cornhill and the unit liabilities of BA policies which were reinsured to BULA.

<u>Tax on income</u>

Tax on income is calculated at the full policyholder tax rate of 20%.

<u>Tax on loan relationships</u>

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

Tax is applied to each internal linked fund as if it were a separate fund for tax purposes. Realised tax is removed from the funds at least annually. In the case of unit trusts, a deemed disposal is carried out at the end of each financial year and the tax deducted from the funds. Where a gain occurs subsequent to previous losses, those losses are used to offset the gain. Where a loss occurs subsequent to gains in the previous 2 years an amount of tax is credited back to the fund. Tax expected to be payable in current and future years as a result of a deemed disposal is removed from the fund in full but at a discounted rate, during the deemed disposal process. The rate at 31 December 2013 was 19.5%

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or, in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. As at 31 December 2013, the realised provision is calculated at a rate of 19.5%. The unrealised provision is calculated at a discounted rate of tax where funds are primarily invested in assets subject to deemed disposal (19.5% at 31 December 2013), and the full 20% otherwise. Tax on realised gains is deducted at 20%.

All funds are currently priced on a bid basis except for the Capital and Super Plan Funds, which are priced on a mid basis. The tax on unrealised gains for these funds was 19.5% as at 31 December 2013.

**Policies previously written in BRS**

No deductions are made for capital gains tax in the Equity Release Plan internal linked funds.

**Policies previously written in SMA and SPL**

Each individual linked fund is treated as a separate entity for the purpose of tax.

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

If there are net overall realised and unrealised gains, the calculation of the unit price will include a charge for the tax expected to be payable on these gains. Gains are reduced for the benefit of indexation relief, where available. If there are net overall realised and unrealised capital losses, the unit price may include a credit for the expected tax relief that the company can obtain on these losses. If this credit is not given for these losses, they are carried forward to be offset against future gains.

At the end of each year the charge for the tax on accrued realised gains is cash settled with the non profit fund. The fund may be paid a cash credit for tax relief on accrued realised losses. Unrealised gains and losses are carried forward to the next accounting period.

The rate of tax charge on gains is the policyholder tax rate, which may be discounted to reflect timing until the tax is paid, including allowance for spreading of gains under the deemed disposal rules where the underlying holding is a collective investment vehicle. The rate of tax relief on losses is the policyholder tax rate discounted to reflect timing until it is expected that the loss can be used by the company to be offset against future gains.

For UK and Irish funds, as at 31 December 2013 the rate applying to net realised gains was 20%. Net unrealised gains were taxed at an appropriate rate (19.5% for UK funds and 19.5% for Irish funds) where funds were primarily invested in assets subject to deemed disposal, and 20% otherwise. No tax relief was being given where there were net losses. Deemed disposals were taxed at these same rates and income was taxed at 20%.

**Policies previously written in NPIL**

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

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

As at the end of 2013, all but three Equity funds had accumulated losses and tax rates for both losses and gains (realised and unrealised) were set to zero. In the three exceptions, the funds had a net gain position and tax rates were set to 19.5% for unrealised gains and losses and to 20% for realised gains and losses.

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

**Other Policies**

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Tax on Realised Capital Gains

The provision for tax on realised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the realised capital gain calculated as the excess of the proceeds on disposal of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses are applied to offset any realised capital gains within the same fund.

The tax rate applied to realised capital gains does not exceed that which would apply if the fund comprised the whole of the Company’s life assurance fund with no allowance being made for expenses. For chargeable assets excluding gilts and bonds, the rate of tax applied during the report period has been 20%. Throughout the report period the rate of tax for gilts and bonds, where a tax rate has applied, was 20%. The provision for tax on realised capital gains is deducted from the fund annually at the end of each year.

For deemed disposals, one seventh of the gain is provided for as above. The balance of the instalments is taxed at an appropriate rate (19.5% at 31 December 2013) and the provision is held within the fund. When the capital gains tax charge on a subsequent instalment falls due, the instalment is removed from this provision and treated as other realised tax charges described above.

Where policy benefits are linked to directly held assets, namely authorised unit trusts or other collective investment schemes, a deduction is made from the policy benefits when units are de-allocated representing tax on the realised capital gains as permitted by policy conditions.

Tax on Unrealised Capital Gains

The provision for tax on unrealised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the unrealised capital gain calculated on the excess of the market value of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses remaining after offsetting against the provision for realised capital gains are applied to offset any unrealised capital gains within the same fund.

## (9) Tax Provisions for Internal Linked Funds

An additional reserve has been held at previous valuations due to a mismatch between the capital gains position of individual life linked funds and the overall position of the company. For the current valuation there was no mismatch and no reserve was held.

**Policies previously written in PLL**

For assets of internal linked funds, provision for tax on unrealised capital gains has been implicitly included in the unit liability, the latter being equal to the value of the corresponding linked funds which has been adjusted to allow for future tax on capital gains.

Tax rates used in the determination of the provision are described above in 3(8).

This method applies to all types of units.

**Policies previously written in Alba**

These are covered in paragraph 3(8) above.

**Policies previously written in Century**

During the year, realised and unrealised gains and losses are notionally credited in the pricing process. Tax is deducted and credited at the current rate used to calculate the unrealised provision.

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. Tax rates used in the determination of the provision are described above in 3(8).

Income, realised gains and unrealised gains in respect of loan relationships were, at the valuation date, taxed at 20% having regard to the pooled market value at the date of the latest mark to market.

**Policies previously written in BULA**

In determining unit prices, realised and unrealised gains have been allowed for as follows:

The value of the assets of the linked funds is reduced by any tax due on realised gains (after taking account of unrelieved tax losses). For realised losses, no allowance has been made for any tax credit since July 2001.

For unrealised gains, (net of unrelieved tax losses) a provision for the tax charge has been made. For unrealised losses, no allowance has been made for any tax credit. Capital losses on each fund are treated individually.

Deemed disposals on unit trusts have been treated as realised gains.

Tax rates used in the determination of the provision are described above in 3(8).

The rate of tax levied on unrealised fixed interest gains was 20% of the unrealised amounts.

**Policies previously written in BRS**

A deferred tax provision is held to cover chargeable capital gains made up to the valuation date. The current tax rate applicable to capital gains is currently 20% and the provision covers 100% of this.

**Policies previously written in BA**

There are no internal linked funds.

**Policies previously written in SMA and SPL**

Each internal fund is treated as an independent entity for the purposes of assessing capital gains tax. A rate of tax is levied on the gain net of any indexation relief and capital losses, as appropriate.

The maximum rate of tax for realised capital gains is the policyholder rate of tax for the period in question. Where appropriate, this may be reduced to reflect the period between the realisation of the gain and the date when the tax is actually due to be paid.

The maximum rate of tax for unrealised capital gains is the rate for realised capital gains. This is normally reduced to reflect the extra expected period until the gain is finally crystallised.

Tax rates used in the determination of the provision are described above in 3(8).

In respect of the Long Term Care Fund (SPL), only one third of the above UK tax rates apply. This is based on the average mix of taxable and gross business in that fund.

**Policies previously written in NPIL**

See (8) above.

## (10) Discounts on Unit Purchases

**Unit Trust Life and Unit Trust Pension Policies previously written in PLL**

The internal linked funds purchase units in collective investment funds managed by certain companies with no connection with the Company where discounts are received on the Initial Charges.

These are detailed below:

| Investment Management Company | Initial Charge Discount | Fund buys at: |
|---|---|---|
| Framlington | 4.00% | - |
| Henderson | - | Creation price + 0.5% |
| Barings | 4.50% | - |
| Gartmore | 4.50% | - |
| Invesco | 3.00% | - |
| Perpetual | 4.50% | - |

**Personal Bond Funds, Broker Bond Funds, Executive Pension Plans, Broker Funds and Broker Direct Investment previously written in PLL**

Funds buy units in unit trusts and other collective investment schemes managed by Foreign & Colonial Asset Management at the creation price.

All the benefits are passed on to the internal linked fund and therefore reflected in the unit price.

**Direct holdings of assets in PLL**

The Company holds authorised unit trusts and investments in other collective investment schemes which are direct holdings of assets matching liabilities in respect of property linked benefits.

The Company receives a discount of 5% on the Initial Charge when buying units in respect of unit trusts managed by the JP Morgan Fleming. The benefit of this discount is retained by the Company.

The Company receives a discount of 4.5% on the Initial Charge when buying units in respect of unit trusts managed by Gartmore Fund Managers. The benefit of this discount is retained by the Company.

**External Fund links for the Lifestyle Bond previously written in PLL**

Certain funds available to the Lifestyle Bond buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such External funds as set out in the following table:

| External Fund Link | Rebate p.a. |
|---|---|
| Framlington Health | 0.55% |
| Framlington Absolute Growth | 0.75% |
| Framlington UK Growth | 0.65% |
| Gartmore American | 0.75% |
| Gartmore Euro Select | 0.75% |
| Gartmore UK & Irish Companies | 0.75% |
| Aberdeen Technology | 0.75% |
| Aberdeen Ethical | 0.95% |
| Newton Life Managed | 1.00% |
| Newton Life Balanced | 1.00% |
| Newton Life Continental | 1.00% |

The rebates received are reimbursed (net of tax at 20%) by the Company to the internal linked fund.

**External Fund links for Pensions Solutions Products previously written in PLL**

Certain funds available to Pensions Solutions products buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such funds External funds as set out in the following table:

| External Fund Link | Rebate p.a. |
|---|---|
| Baille Gifford Managed | 0.00% |
| Framlington Health | 0.55% |
| Framlington Absolute Growth | 0.75% |
| Framlington UK Growth | 0.65% |
| Gartmore American | 0.75% |
| Gartmore Euro Select | 0.75% |
| Gartmore UK & Irish Companies | 0.75% |
| Aberdeen Technology | 0.75% |
| Aberdeen Ethical | 0.95% |
| Newton Life Managed | 1.00% |
| Newton Life Balanced | 1.00% |
| Newton Life Continental | 1.00% |

The rebates received are reimbursed by the Company to the internal linked fund.

**Policies previously written in Alba, BULA, BRS and BA**

No units are held that need to be reported.

**Policies previously written in Century**

The assets of the internal linked funds of the Company include unit trusts and other collective investment schemes, e.g. OEICs, ICVCs and UCITS, available from a range of fund managers.

In general, discounts are available to the Company on the purchase of units and these are passed on to the policyholder. The majority of the assets in what were formerly Century's unit linked funds are managed by Ignis Asset Management Limited and Invesco Fund Managers Limited. Both fully rebate their initial charge.

Both Ignis Asset Management Limited and Invesco Fund Managers Limited rebate to the Company a part of the annual management charge levied by them with the exception of Invesco assets held by the Perpetual Managed Funds. For the majority of the internal funds, the amount rebated to the Company is credited to the relevant fund, less tax where appropriate. Specifically:

(i) The following linked funds are rebated some or all of the amount received by Century Life in respect of those funds, subject to the deduction of tax in the case of life funds. This applies to:

Certain Ex-NBA Performance Bond fund links to IAM
Ex-NBA Multichoice life funds
Ex-NEL Pensions Multichoice funds
Ex-CCL funds
Ex-Crown funds
Ex-Prosperity funds
Ex-Hiscox funds
Ex-City of Edinburgh funds
Ex-UK Life funds
Ex-OMLA funds

(ii) Certain funds are rebated the whole of the unit trust annual management charge, subject to tax. This applies to:

Ex-NBA Performance Bond fund links to Invesco and certain links to IAM
Ex-NBA Pensions
Ex-NEL Pensions NELEX fund links to Invesco and IAM except Invesco Exempt Trust fund
Ex-NAL Funds

(iii) Certain funds receive no rebate at all. The funds are:

Ex-NEL Pensions NELEX Invesco Exempt Trust fund
Ex-Sentinel funds
Broker funds*

*In respect of unit trust investments held within broker funds neither Ignis nor Invesco rebate their annual management charges to the Company.

**Policies previously written in SMA**

Where internal linked funds invest in units in collective investment schemes, any discount or other allowance negotiated with the fund manager of the units is fully passed on to the appropriate policyholders.

**Policies previously written in SMA and SPL**

Where internal linked funds invest in units in collective investment schemes, the policyholder benefits to the full from any discount achieved on the purchase of such units and the valuation of such units reflects the discounts achieved. For investments in an Ignis Asset Management (IAM) collective investment fund, units are purchased at the creation price and sold at the cancellation price, i.e. IAM fully rebates the initial charge. A rebate is only payable if the underlying IAM collective investment scheme has an annual management charge that exceeds the annual management charge payable on the insurer's fund. No renewal commission is payable by IAM.

**Policies previously written in NPIL**

The internal linked funds receive an initial charge discount and an annual management charge rebate when purchasing, selling or holding units in collective investment funds. This ensures that the policyholder is not subject to two sets of charges.

## 4. VALUATION BASIS

### (1) Valuation Methods

**Policies previously written in PLL**

A gross premium method has been used except for a small number of ex-SLUK non-profit policies which have been valued using the net premium method.

In respect of fixed immediate, reversionary and index linked annuities, the liability has been taken as the present value of all future annuity payments, valued according to the contractual mode of payment, together with the relevant expenses. Allowance has been made where annuity payments are guaranteed for a minimum number of years.

For guaranteed rate individual PHI policies the gross premium method was used in the valuation. Gross premiums were reduced by the greater of the amount of renewal commission and 2.5%. In addition there is an annual per policy loading for all contracts. Any waiver of premium benefits are brought into the calculation of the reserves as an addition to the sum assured. The reserves thus calculated were then increased to provide, inter alia, for:

(i) extra premium payable on account of health or occupation. Policies carrying an extra premium have an additional reserve of 2 years' extra premium (PAL only);

(ii) an additional reserve making full provision for claims in payment on the valuation date; and

(iii) the inclusion of additional reserves for claims incurred but not yet reported and claims notified but not yet accepted.

For group risk contracts the reserve is made up as follows:

(i) a reserve in respect of the risk exposure relating to the period from the valuation date to the next premium due date,

(ii) 10% of premiums in force on the valuation date,

(iii) the discounted value of PHI claims in course of payment, and

(iv) a reserve in respect of claims which have not yet been reported, whether as a result of the deferred period (for PHI claims) or for other reasons.

The liability in respect of Progressive Protection contracts is taken as one year's office premium in respect of life cover, and one and a half years' premium in respect of critical illness cover.

The liability for Flexible Mortgage Protection contracts is taken as three and a half years' office premium in respect of life cover, and four years' premium in respect of critical illness cover.

In respect of policies issued on sub-standard lives, where an extra premium was imposed, a reserve of not less than 100% of one year's extra premium was established.

Deposit administration contracts (PAL)

The liability for Pension Plans was calculated as:

(i) the total Pension Accounts; plus

(ii) an allowance for any death in service benefits provided under the Executive Pension Plan; plus

(iii) an allowance to provide for investment guarantees; plus

(iv) an annual per policy expense.

Deposit administration contracts (SLUK)

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

Linked Contracts

In respect of all other unit linked contracts the liability is determined on the following basis:

Unit liability – for all contracts, the unit liabilities were taken as the number of units deemed allocated in accordance with the funding plan where applicable and allowing for future cancellation of cancellable units multiplied by the unit price in the relevant fund or unit trust/OEIC at the valuation date. For this purpose unit prices in the internal linked funds have been calculated using the bid value at the valuation date of the assets of the relevant fund.

Non-unit liability – for all contracts, except those listed below, the liability is calculated using cash flow projection methods. Allowance is made within the cash flow projection for mortality and expenses. For business not previously written in either PAL or SLUK negative sterling reserves are allowable as long as total unit and sterling reserves are at least equal to surrender values.

The total liability is the sum of the unit and non-unit liabilities.

For Protection Plan, a proportion of each premium, less a charge for life cover, is invested in units and placed in the "Reserve Account". On each policy anniversary the value of the units in the "Reserve Account" is compared with a guaranteed value (calculated using a net premium formula with interest at 2.5% and mortality assuming A49/52) and the number of units is reduced so that the value of units in the "Reserve Account" is equal to the guaranteed value. The balance of units (if any) is transferred to the "Bonus Account".

The claim value is the sum assured plus the value of units in the "Bonus Account". The surrender value, after two years' premiums have been paid, is the guaranteed value at each policy anniversary plus the value of units in the "Bonus Account".

The total liability is the sum of the unit and non-unit liabilities (including the value of units in the "Bonus Account"), subject to a minimum of the surrender value.

The approach adopted to calculate the non-unit liability for policies not valued using a discounted cash flow basis is set out below.

| | |
|---|---|
| Isle of Man Substitute Plans (Series I and II) | 5% of annual premium |
| Group Pension Scheme | 1% of unit liability plus one month's premium |
| International Mortgage Plan | 5% of annual premium |
| Flexibonds | 5% of unit liability |
| Isle of Man Substitute Plans (Series III) | 5% of unit liability |
| Universal Protection Plan | 3 months' servicing expense charges |
| Vested Pensions Policy | Value of future expenses |
| Annuity in Payment | Value of future expenses |

For Partners Pension Plan, Pension Fund Investment Policy, Pension Fund Trustee Investment Policy, Private Companies Pension Fund Investment Policy, Retirement Annuity Policy, Group Schemes, Shield, Lloyds Bank, Individual Bonds (inc. CTT Plan), no cash flow projections were made. This is because such ongoing expenses are currently less than the ongoing monthly management charge on the units and anticipated to be so in the future.

The liability in respect of benefits on contracts reassured from SAL With-Profits Fund on a risk premium basis is taken as three months' risk premiums in respect of these benefits, as charged to policyholders by SAL With-Profits Fund. (SAL With-Profits Fund pays the Non Profit Fund 87.5% of these risk premiums in respect of life cover reassurances, and 91% of these risk premiums in respect of reassurances of the Living Benefit and Medical Expenses Benefit on Universal Protection Plan).

For products where the valuation method does not allow for future lapses as outlined in paragraph 4(9), negative reserves have been eliminated.

PAL Reassured Contracts

Business is accepted under reassurance treaties with companies overseas under which the Company receives a share of the whole business. The liabilities have been calculated on the valuation basis adopted by each ceding company. The liabilities are the amounts which have been deposited with each ceding company as security for the Company's obligation; each reassurance treaty contains a clause that the mathematical reserve must be deposited with the ceding company.

**Policies previously written in Alba**

The mathematical reserve for all unitised contracts linked to units in the unit linked fund has been calculated as the sum of (i) and (ii) below:

(i) The face value of units, which is based on the number of units at the valuation date.

(ii) A sterling reserve calculated by discounting projected future cashflows and allowing for future expenses. For regular premium paying policies, the reserves are based on the higher of:

(a) the reserve calculated assuming that regular premiums continue to be paid at the current level and

(b) the reserve calculated assuming that premiums cease and the policy becomes paid up at the valuation date.

Exceptions:

(a) No negative reserves have been included and no contract of insurance has been treated as an asset.

(b) For property linked business an amount equal to the provision in the pricing of the internal linked funds at the valuation date has been reserved for the prospective liability to tax on unrealised capital gains.

(c) No specific reserve has been made for investment performance guarantees for property linked contracts.

For the Capital Investment Bond and Mortgage Minder arising from BLA, no specific reserve has been considered necessary for the Cash Fund guarantee because the backing assets are deposits or short term securities.

<u>Policies Arising From BLAS</u>

Mortality reserves in respect of guaranteed and other death benefits were set up as follows:

Pre 1982 series. Assuming a 25% fall in unit values, very few contracts would have a sum assured at risk. A nominal reserve is held.

Post 1981 series and pension business. With the exception specified below, the reserve is twice the monthly risk charge for the relevant benefits, adjusted for extra premiums.

The reserve set up for waiver of premium benefits under the Personal Pension Plan is the accumulation of premiums paid subject to a maximum of three years' premium, adjusted for extra premiums.

For permanent health insurance benefits the reserve set up is the accumulation of premiums paid subject to a maximum of three months' premiums, adjusted for extra premiums.

(d) Other specific reserves have been set up for the following contracts:

(i) On Growth Property Bonds Series 1 and 2, Capital Investment Bonds and single premium pension plans, the unit liability was the value of units allocated plus loyalty bonus units accrued to the valuation date.

(ii) For Mortgage Minder and regular premium unit linked pension policies the unit reserve was equal to the value of the units allocated to date. A mortality reserve was held equal to one third of the current month's mortality charge.

(iii) Genesis pension contracts have been valued by a cash flow method for linked benefits.

(iv) LASPEN Managed Fund

The valuation net liability comprises the unit liabilities at the valuation date and the amount of premiums received by the valuation date to be allocated to the purchase of units at the next allocation date.

(v) Post 1 January 1995 Contracts

A reserve for future mortality and expenses was generated by calculating a present value of future charges, expenses and costs of risk benefits. The charges assumed are those actually deducted from the contract and the bases for expenses and mortality are shown in sections 4(4) and 4(6).

(vi) Segregated Pension Funds

Certain Segregated Pension funds have outstanding loans matched against property assets. No additional reserve was required regarding the recovery of these loans.

**Policies previously written in Century**

The total liability, net of reassurance, for all classes of business where a prospective method of valuation has not been used is not significant in comparison with the total mathematical reserves for the Company.

The valuation methods used in the valuation of the significant groups of business were as follows.

Non-linked Whole Life and Endowment Assurance

For all non-linked whole life and endowment assurance contracts, the reserve was calculated using a gross premium method of valuation.

Policies have been issued subject to a lien and under certain Endowment Assurance policies the sum payable on death may be less than the sum payable at maturity. In the valuation an amount equal to the sum payable on maturity has been assumed to be the sum payable at death.

The reserves calculated were tested against the guaranteed surrender value and if the latter was the greater then this amount was held as the valuation reserve. Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

Policies which have been granted guaranteed bonus additions have been valued as non-profit policies with a sum assured increasing at the guaranteed rate. Additional reserves have been included for the guaranteed terminal bonus on ex-Hiscox ex-with profit policies.

For waiver of premium benefits the liability has been taken as 75% of the accumulated annualised premium plus a reserve for claims in payment at the valuation date.

Guaranteed Security Bonds were valued using a cashflow method.

Term Assurances

For all term assurance contracts a gross premium method of valuation was used.

For Ex-Prosperity Decreasing Term Assurances and Pension Term Assurances costed by recurrent single premiums, 100% of either the annual or single premium was reserved, as appropriate.

A distinction has been made for policyholders of certain ex-NEL Term Assurances and reducing Term Assurances between those who do and those who do not smoke.

For ex-CCL Convertible Term Assurances an additional reserve of 10% of premiums paid for policies issued up to 1979 and 15% of premiums paid for policies issued after 1979 was held. For all other Convertible Term Assurances an additional reserve of 10% of all premiums paid accumulated with compound interest at the valuation rate has been made.

For ex-FMI contingent assurances a reserve equal to the single premium was made.

A 13% Mortgage Repayment Table was assumed to apply to all ex-NEL and ex-Sentinel Mortgage Protection policies. A 6.75% Mortgage Repayment Table was assumed to apply to all ex-Consumers Mortgage Protection policies. A 12% Mortgage Repayment Table was assumed to apply to all policies originally issued by CCL and a 15% table to all policies originally issued by Shield. For ex-NAL Mortgage Protection Plans a mortgage rate of 8% was assumed in determining future sums assured.

For policies where the extended term non-forfeiture provision was in operation on the valuation date, a reserve was held to cover the liability during the remaining period of non-forfeiture and, for endowment assurances, any maturity payment at the end of the period.

For accidental death benefits, the reserve held was an amount equal to the unexpired portion of the premium plus two months' premiums plus a reserve for claims in payment on the valuation date. For ex-Prosperity Accident Income Plans the reserves were calculated as one half of the annual premiums in force. An additional reserve was held for claims in payment.

For lives accepted at non-standard rates, the additional reserve held was an amount equal to 150% of the annual office extra premium.

In the case of reassurances accepted or ceded by the Company on a risk premium basis, a reserve equal to 50% of the current premium has been set up where premiums are paid annually, and equal to one month's premium where premiums are paid monthly.

No credit has been taken for risk premium reinsurance ceded on ex-CFS policies as this is costed on a quarterly census method.

Ex-Prosperity Group life assurances were valued by reserving either 60% of the annual premium or the unearned proportion of the single premium, as appropriate. The liability in respect of other Group Life schemes has been calculated as (12-n)/12 multiplied by one year's office premium, where n is equivalent to the number of complete months of cover since the last renewal date. In the case of schemes paying premiums on a monthly basis one month's premium has been reserved.

For annual premium Group Death in Service contracts providing Spouses’ Pensions benefits, the wives have been assumed to be 3 years younger than their husband. For ex-Crown policies, a reserve has been made for Group Death in Service Benefits by recurrent single premium of a proportion of the office premium corresponding to the unexpired period of risk calculated to the higher month.

The liability for Payment Protection Benefits on ex-NAL Pensions Life Assurance Plans was taken as one annual premium. The liability for Payment Protection claims in payment was taken as five times the annual premium for the main contract.

A reserve has been held for death claims which have not been reported equal to two months’ expected death cost net of reassurance. A similar reserve has been held for critical illness claims equal to three months’ expected claim cost net of reassurance.

For Creditor schemes, the liability was taken as the total amount of unearned premiums (net of commission) as at the valuation date assuming that all risks commenced at the end of the premium payment month. The single premiums are taken to be earned in proportion to the cost of risk assuming that loan repayments are uniform over the term of each loan and that the claims rate remains constant. The valuation methods make implicit allowance for claims incurred but not reported as at the valuation date. The liabilities were increased by the amount of any experience profit share accrued to the valuation date.

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

Non-linked Deferred Annuities

For all policies, the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

For all deferred annuity contracts the reserve was calculated using a gross premium method of valuation.

Personal Retirement Plans were valued using a cashflow method.

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

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

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

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

<u>Immediate Annuities</u>

The reserve held in respect of annuities in payment was the present value of future benefits together with an additional reserve of the present value of future expenses.

<u>Non-linked Permanent Health Insurance</u>

The reserves for non group PHI business are calculated as the sum of:

(i) 1 x premium for future risk including IBNR;
(ii) Reserve for all future expenses assuming no contribution from the premium; and
(iii) a reserve for claims in payment based on annuity factors with a maximum of 7 or actual factors from reinsurers (where available). No expenses are included in this reserve.

The first and last of these are calculated on a gross and net basis with the difference used to calculate the reinsurance offset. There is no reinsurance offset for the expense component.

The reserves for Group PHI business are calculated as the sum of Unearned Premium and Incurred but not Reported Reserves and a reserve for claims in payment based on annuity factors with a maximum of 7 or actual factors from reinsurers (where available). No expenses are included in this reserve.

These are calculated on a gross and reinsured basis in order to determine the net liability.

For Ex-NAL Critical Illness Plans and Tailored Mortgage Protection contracts including an element of critical illness cover, it was assumed that the current premiums would remain unaltered for the full contract terms, even though it is likely that these will increase.

<u>Deposit Administration Contracts</u>

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

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

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

Linked Business

All unit-linked business with the exception of ex-Crown group business was valued on a sterling reserve basis. Ex-Crown group policies were allocated expenses equal to their margins.

Unit liabilities were calculated as the value of capital and accumulation units discounted, where applicable, using the following funding rates

| Portfolio | Capital Units | Accumulation Units |
|---|---|---|
| Ex- Sentinel | 6.00% | - |
| Ex-Crown | 4.35% | - |
| Ex-NELPEN | 5.00% / 6.00% | - |
| Ex-OMLA | 3.50% / 4.50%<br>4.75% / 5.25% | 0.75% / 1.00% |

For ex-NELPEN and ex-OMLA the rate used varies according to contract type. In addition, for ex-NBA life and pension policies and certain other ex-OMLA policies, surrender penalties are deducted from the unit values to calculate the unit reserve held.

The value of the units is based on bid prices at 31 December calculated in accordance with the asset valuation regulations. Where appropriate, provisions have been made within each of the funds to meet any potential liability to tax on unrealised capital gains including outstanding amounts payable in respect of unit trust deemed disposals.

In respect of all life business internal linked and broker funds the valuation bid price of units makes an allowance for a potential tax liability on unrealised gains after credit for any unrealised or realised losses.

A sterling reserve for mortality and expenses is calculated on a cash flow basis. For linked contracts, the reasonable expectations of policyholders are taken into account in establishing the sterling reserves. No allowance for increasing the annual management charge or other charges is made, other than inflationary increases in plan fees, even though in some circumstances the Company has the right to increase such charges.

The mortality charges used are an assumed rate based on the average mortality charges for the linked contracts. The morbidity rates are those used in practice.

For Ex-NAL Pension Policies, there is an option to increase the policy fees on these policies each year in line with NAE. Current practice is to increase the fees each year by 75% of the increase in NAE and the valuation assumption is in line with this practice.

Any negative unit reserves and any negative sterling reserves were individually eliminated by increasing the respective reserve to zero except as described below. Where there are unit-linked benefits in addition to conventional benefits, any negative values on the conventional part of the policy were eliminated without regard to any positive value on the unit-linked part.

An additional reserve has been established in respect of amounts yet to be allocated to units. Reserves in respect of the uninvested balance have been established equal to the full amount of the uninvested balance in respect of the AVSP (Whole Life), Pan Plan (Whole life), PIP (Whole Life) and WISP (Series 1 and Series 2) contracts. For WISP Series 3 the reserve is that for an endowment assurance (sum assured equal to the uninvested balance) maturing at age 60 and under which no further premiums are payable.

For WISP policies there is a further reserve of 0.2% of the guaranteed sum assured in respect of the Waiver of Premium benefit. For Super WISP 25 policies there is a further reserve of 2% of one annualised office premium in respect of the Waiver of Premium benefit.

For A-plan policies additional reserves were held as follows:
(i) A reserve in respect of the maturity guarantee.
(ii) An amount equal to 2% of the office annual premium for the Waiver of Premium Benefit.
(iii) An amount equal to 0.1% of the sum at risk in respect of the Accidental Death Benefit cover.
(iv) An amount equal to 3% of the sum assured discounted to the maturity date at 4.5% in respect of the guaranteed insurability option.

For Unit Trust Whole Life and Endowment policies the valuation liability was taken as the market value of attaching units together with the value of the endowment or whole life benefit valued in accordance with the general principles detailed for non-linked policies in this section.

For policies linked to unit trusts which were ex-dividend at the valuation date an adjustment to the mathematical reserves was made, being the respective anticipated total net distribution receivable by the policyholders.

For the Pension Investment Plan and ex-NELPEN Pensions Management contracts a reserve of 2% of the unit liability was made to provide for future expenses.

For policyholders deemed invested in the Income Fund who have elected to receive distributed income in the form of cash rather than units, an additional reserve has been set up being the cash accrued and awaiting distribution. Where a Plan comprises a cluster of policies taken out simultaneously the per plan expenses are divided equally between each policy.

For ex-NBA Life policies, where an extra premium has been charged for the provision of premium waiver during incapacity a reserve of 75% of the total annualised extra premiums paid has been set up.

For ex-NBA Pension policies, where the policy carries a provision for waiver of premium, dependent on the deferred period (either 13 weeks or 26 weeks), the mathematical reserve was taken as being equivalent to either four months' or seven months' current cost charge based on the age nearest birthday at the valuation date, allowing for extra morbidity if applicable.

The liability for Payment Protection Benefits on ex-NAL Pension Plans was taken as one annual premium. The liability for Payment Protection claims in payment was taken as five times the annual premium for the main contract.

For ex-Crown Pensions 2000 Phase 2 final salary arrangements the discount period for initial units is the outstanding period to 20 years for each block of Initial Units and the discount is based on interest only. For money purchase arrangements the discount period for Initial Units is the outstanding term to the Normal Retirement Date or, in the case of AVCs, the Normal Retirement Date less 5 years.

For ex-Crown Retirement Savings Plan & Contracted Out Money Purchase policies the discount period for Initial Units is the outstanding term to the Normal Retirement Date and for Accumulation Units is the outstanding term to 11 years from the commencement date of the individual account.

A reserve has been held for claims which have not been reported equal to two months' expected mortality cost for death claims, three months' expected critical illness cost for critical illness claims and seven months' PHI cost, all net of reassurance.

Policies have been issued subject to a lien, but no modification has been made to the valuation method.

In the Non Profit Fund additional reserves have been established in Form 53 in respect of ex-OMLA, ex-CCL and ex-Prosperity personal pension policies for the expected liability in respect of policies which were "mis-sold".

**Policies previously written in BULA**

For non-linked non profit insurance, the gross premium method of valuation has been adopted. For products where the valuation method does not allow for future lapses as outlined in paragraph 4(9), negative reserves have been eliminated.

The mathematical reserve for linked contracts is the value of the units allocated together with reserves in respect of additional life cover.

The unit liability is the number of units allocated up to the valuation date, multiplied by the valuation unit price without any discounting. The valuation unit prices are determined from the value of each internal linked fund, calculated in accordance with the note to Form 44, without any adjustments for dealing costs or tax on unrealised capital gains or losses, by dividing by the number of units in issue.

For regular premium paying business formerly in the BULA Unit Linked Fund, the aggregate expense reserves were based on the sum of:

- 50% of the higher of the reserve calculated assuming that regular premiums continued to be paid at the current level and the reserve calculated assuming that regular premiums increased automatically in line with the policy conditions
- plus 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

In respect of contracts which consist of two or more separate types of insurance, each type has for valuation purposes been treated separately. In certain cases where two or more contracts have been issued contemporaneously in respect of the same lives, whether in connection with assurances or annuities, such contracts have been treated as a single contract.

Whole life assurances involving more than one life with sums assured payable on the first death have been valued using independent mortality rates. Joint whole life assurances with sums assured payable on the second death have been valued so as to have regard to the likelihood, on the valuation basis, that one or other life has died, or that neither life has died.

An additional reserve has been made of 50% of the amount of all yearly extra premiums payable. This is included in the reserves shown on Forms 51 to 54.

For the following categories of non-linked contracts the net liability has been determined in the manner indicated.

<u>Group Life Assurances & Group Permanent Health</u>

The liability has been taken as the amount of unearned premiums plus a reserve for unpaid amounts relating to profit sharing arrangements, plus a reserve for claims which were incurred but not reported by the valuation date plus a claims in payment reserve.

Where premiums are payable monthly the unearned premium has been taken as one month’s premium. For single premiums the unearned premium has been taken as the same proportion of the premium (after allowance for expenses, incurred immediately on payment of the premium) as the unexpired term bears to the original term of the assurance.

The incurred but not reported reserve was calculated as an estimated one and a half months’ claims costs.

The reserve for claims in payment paid as an income stream is set up using a chain ladder approach to estimate the ultimate cost of claims from the pattern of past experience.

The reserve for unpaid amounts relating to profit sharing arrangements was calculated as the profit share proportion of the underwriting profit on each contract less any payments already made under the arrangement. The underwriting profit is calculated as premiums earned less claims incurred; this includes the deduction of the company’s fee from premiums earned and estimates of outstanding and incurred but not reported claims.

**Policies previously written in BRS**

A prospective method of valuation has been used for all mathematical reserves other than for those special reserves described below.

The significant classes of business are pension annuities in payment shown in forms 51 and 54. These liabilities are calculated as the present value of the future annuity payments plus the present value of future expenses. The values of both expenses and index linked annuity payments allow for increases in the level of RPI in the future.

**Policies previously written in BA**

A prospective valuation method is used to value all policies.

Traditional life contracts are valued using a net premium valuation method, the reserve generally being subject to a minimum of one year's office premium. The net premium is restricted to 90% of the office premium and an explicit expense reserve established where the value of the margin between the net premium and the office premium is insufficient to cover future expected expenses.

Policies issued subject to an extra premium have been valued at true ages and an additional reserve of one year's extra premium has been established.

For certain decreasing term assurance with critical illness business which is reinsured, the mathematical reserves net of reinsurance allow for the level and incidence of reinsurance premium payments.

The mathematical reserves for annuities in payment are calculated as the present value of the future annuity payments plus the present value of future expenses. The value of expenses allows for increases in the level of RPI in the future.

**Policies previously written in SMA**

In general, non-linked non profit contracts have been valued using the gross premium method. Negative mathematical reserves are held on those contracts where the calculation yields a negative result. For the Smoothed Funds the reserve held is the sum of the sterling reserve and the valuation smoothed prices multiplied by the number of units. Certain assurances accepted at an increased rate of premium are valued at correspondingly increased ages. An additional reserve has been made of 50% of the amount of all yearly extra premiums payable. This is included in the reserves shown on Forms 51 to 54.

It is assumed that annuity payments occur at the end of the month in which they are due and that increments under increasing annuities take place at the end of the month in which they escalate. For certain annuities there is a capital guarantee that if the annuitant dies before the aggregate annuity payments made equal or exceed the purchase price, the shortfall becomes payable immediately. Provision for those extra guarantees is included with the reserves shown.

The benefits valued for group schemes are the amounts secured by premiums paid prior to the valuation date, except for contracts where benefits in force are secured by premiums fixed until retirement.

Linked contracts are valued individually with the number of units allocated to the contract being multiplied by the valuation price for the corresponding internal linked fund. Cash flow calculations have been made individually for each linked contract. The bases used are described below. For some contracts, the unit reserve has been reduced to allow for actuarial funding. The overall unit and sterling reserve for each contract is always at least equal to the surrender or transfer value, subject to a minimum of zero.

The Non Profit Fund also holds sterling reserves on unitised with-profits contracts in the Scottish Mutual With-Profits Fund. These reserves are calculated using cash flow calculations as for linked contracts. The bases used are described below.

**Policies previously written in SPL**

A gross premium valuation method has been used for all business shown on Forms 51 and 54. Negative reserves are held for those contracts where the gross premium method yields a negative result. Explicit allowance has been made in the valuation for renewal expenses as detailed in paragraph 4(6). Where appropriate, allowance has also been made for payments in accordance with reassurance treaties.

For accumulating with-profits business, non-unit reserves have been calculated to cover any mortality or expense strain within the valuation in a manner consistent with that used for property-linked benefits as described below.

For property-linked contracts, the unit reserve in respect of accumulation (or ordinary) units is taken as the value at the prices specified in Form 55 of the units allocated to policies in force at the valuation date. The unit reserve in respect of capital (or initial) units of the pension funds in which Accolade and New Style Pensions invest has been taken as the face value of those units. The unit reserve in respect of capital (or initial) units of all other funds has been taken as the value of the accumulation units equivalent to the allocated capital units allowing for the additional charges for those funds where the value of the linked assets held equals the funded value of the units.

Some property-linked contracts (Personal Retirement Account, Pension Investment Account, Executive Retirement Account, Self Assurance (overseas version) and some miscellaneous classes) offer bonus units that either accrue over time up to vesting or death or are awarded on certain dates. The unit liability under these contracts includes units held in respect of the maximum prospective bonus which would be payable.

A non-unit reserve is held for certain property-linked contracts in respect of future expenses, mortality and morbidity. Investigations have shown that this reserve, in conjunction with ongoing management charges at the current rates and the uninvested portion of future premiums under continuing contracts, is sufficient to cover future outgoings on the valuation basis, with the exception of the guarantee on the Self Assurance Long-Term Care Contract which is valued separately.

**Policies previously written in NPIL**

The general principles and methods adopted in the valuation are:

<u>Non-Linked Business</u>

Mathematical reserves have been determined using a gross premium method except as mentioned below.

Some non-profit assurances have been valued using the net premium method of valuation. It is unmodified, except that:

(i) Policies subject to an extra premium are valued as if effected at the standard premium and a further provision of one year's extra office premium is held.
(ii) If the net premium on the valuation basis exceeds the office premium, the premium valued is the office premium.
(iii) For classes of business where the difference between the office premium and the net premium is considered insufficient to cover future expenses an additional reserve is held.

A provision for the immediate payment of claims is made.

A reserve for policies where premiums are unpaid is held. This reserve is equivalent to the normal net premium reserve assuming premiums are paid to date, less the outstanding office premiums.

All deferred annuities with a return on death are valued ignoring mortality before vesting.

The amount of the gross mathematical reserve for unitised with-profit, unitised Socially Responsible with-profit, and capital accounts is calculated as follows:

(i) The present value of the units is determined by accumulating the existing units at the guaranteed minimum bonus rates to the retirement date for Pensions, or over the expected lifetime of the policyholder for Life, and discounting the resulting sum at the valuation rate of interest. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not yet been reached, any remaining fees dues in the first five years, and the additional bonus payable at the fifth policy anniversary and every five years thereafter are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the number of loyalty bonus units due at the retirement date.

For regular premium policies the units that will be bought from future premiums are accumulated at the guaranteed minimum bonus rates to the retirement date and discounted at the valuation rate of interest. From this the value of the future premiums less future commission (discounted at the valuation rate of interest) is deducted. Allowance is made for the possibility that the policy is made paid-up, and hence future premiums not paid, in these calculations.

(ii) An expense reserve is calculated by applying an annuity factor for the appropriate term to the expense provision, net of a prudent allowance for charges recoverable. The annuity factor is calculated at a rate of interest that allows for future inflation at an assumed rate. An extra reserve for any future fund based renewal commission is added, if appropriate.

<u>Index Linked Business</u>

Mathematical reserves have been determined using a gross premium method.

<u>Property Linked Business</u>

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 calculated using a discounted cashflow approach. Where the projected cashflows show no future shortfall in any year there is no recourse to additional finance and no sterling reserve is required. Where the projection produces a shortfall, the discounted value of the cashflows is calculated. This is the sterling reserve required to ensure that no recourse to additional finance is required.

**(2) Valuation Interest Rates**

**All policies excluding Republic of Ireland policies previously written in SPL**

The interest rates used for each product group are shown in the following table:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Sterling reserve discount rates | | |
| Life (unrestricted) | 2.10% | 1.70% |
| Life (restricted) | 2.10% | 1.70% |
| NPIL Life | 2.10% | 1.70% |
| Pensions (unrestricted) | 2.65% | 2.10% |
| Pensions (restricted) | 2.65% | 2.10% |
| NPIL Pensions | 2.65% | 2.10% |
| Annuities | | |
| Pension Annuities in Payment (ex-PPL) | 3.47% | 3.35% |
| Pension Annuities in Payment (Euro) | 2.46% | 2.37% |
| NPIL Pension Annuities in Payment | 3.05% | 2.60% |
| NPIL (PAULP) Pension Annuities in Payment | 3.05% | 2.60% |
| Pensions Deferred Annuities pre vesting | 3.50% | 2.60% |
| Pensions Deferred Annuities pre vesting (Euro) | 2.46% | 2.37% |
| Pensions Deferred Annuities post vesting | 3.50% | 2.60% |
| Pensions Deferred Annuities post vesting (Euro) | 2.46% | 2.37% |
| Life Annuities In Payment (except NPIL, RSALI & Phoenix) | 2.10% | 1.70% |
| NPIL Life Annuities in Payment | 3.05% | 2.60% |
| RSALI & Phoenix Life Annuities in Payment | 3.47% | 3.35% |
| Life Deferred Annuities | 2.10% | 1.70% |
| Index-linked Annuities in Payment | 0.00% | -0.24% |
| NPIL Index-linked Annuities in Payment | 2.65% | 2.20% |
| NPIL (PAULP) Index-linked Annuities in Payment | 2.65% | 2.20% |
| Other | | |
| Assurances (Life) | 2.10% | 1.70% |
| NPIL Assurances (Life) | 2.10% | 1.70% |
| NPIL Unitised With Profits (Life) | 2.10% | 1.15% |
| Assurances (Pensions) | 2.65% | 2.10% |
| NPIL Assurances (Pension) | 2.65% | 2.10% |
| NPIL Unitised With Profits (Pension) | 3.30% | 2.90% |
| Index-linked Assurances (Life) | -0.45% | -1.25% |
| PHI and Critical Illness | 2.65% | 2.10% |
| PHI Claims in Payment | 2.10% | 2.10% |
| Deposit Administration | 2.65% | 2.10% |

**Republic of Ireland policies previously written in SPL**

The interest rates used for each product group are shown in the following table:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Whole Life and Endowment Assurances (Life and Pensions) | 0.30% | 0.20% |
| Term Assurances (Life) | 0.25% | 0.15% |
| Term Assurances (Pensions) | 0.30% | 0.20% |
| Life Immediate Annuities (Conventional and Index-Linked) | 0.25% | 0.15% |
| Pension Immediate Annuities | 2.46% | 2.37% |
| Pension Deferred Annuities in deferment | 2.46% | 2.37% |
| Pension Deferred Annuities in payment | 2.46% | 2.37% |
| Linked Life non-unit reserves | 0.25% | 0.15% |
| Linked Pension non-unit reserves | 0.30% | 0.20% |

Note: the valuation interest rates are shown net of tax for life business and gross of tax for all other business.

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

**(3) Risk Adjustments**

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) Approved Securities:

No risk adjustments are applied to UK gilts. For other 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.

(b) Other Securities

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

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

| Rating | 5yr | 10yr | 20yr |
|---|---|---|---|
| AAA | 4.2 | 11.6 | 13.6 |
| AA | 21.4 | 33.8 | 46.4 |
| A | 35.2 | 48.8 | 63.0 |
| BBB | 79.2 | 96.0 | 109.4 |
| BB | 253.6 | 260.2 | 254.8 |
| B | 564.2 | 485.0 | 390.6 |

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.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

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.

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

### (4) Mortality Basis

**Longevity improvement factors**

For immediate annuities in payment and deferred annuities, post vesting where appropriate, a common set of improvement factors has been adopted for all annuities. The improvement factors were derived from the 2012 CMI Projections Model with the long-term improvement rate set to 2.5% at ages 75 and below and zero at ages 120 and above, with linear interpolation in between.
In the tables that follow all mortality tables are ultimate. Furthermore, for annuity in payment business, the fund which is described as ‘previously written in’ may refer to the source pension savings contract.

**Policies previously written in PLL but not previously written in PAL or SLUK**

The mortality tables used for each product group are shown in the following table:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Linked Life - aggregate | 81% AM92<br>105% AF92 | 81% AM92<br>105% AF92 |
| Linked Life - non-smoker | 73% AM92<br>80% AF92 | 73% AM92<br>80% AF92 |
| Linked Life - smoker | 145% AM92<br>162% AF92 | 145% AM92<br>162% AF92 |
| Seniorplan | 138% AM80<br>138% AF80 | 138% AM80<br>138% AF80 |
| Non linked Whole Life | 75% AM92<br>81% AF92 | 75% AM92<br>81% AF92 |
| Non linked TA - aggregate | 80% TM92<br>84% TF92 | 80% TM92<br>84% TF92 |
| Non linked TA - non-smoker | 66% TM92<br>66% TF92 | 66% TM92<br>66% TF92 |
| Non linked TA - smoker | 156% TM92<br>182% TF92 | 156% TM92<br>182% TF92 |
| Life Fund Annuities in Payment | 79.1% IM80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120<br>80.9% IF80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 | 71.9% IM80 C=2010 improving 1.5% pa<br>73.6% IF80 C=2010 improving 1.25% pa |
| Pension Annuities in Payment | 99.7% PCMA00<br>95.0% PCFA00 | 99.7% PCMA00<br>95.0% PCFA00 |
| Linked Pensions | 50% AM92<br>57% AF92 | 50% AM92<br>57% AF92 |
| Annuities in Deferment | 50% AM92<br>57% AF92 | 50% AM92<br>57% AF92 |

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company.

For life annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

| | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 23.33 | 25.88 | 23.18 | 25.76 |
| 75 | 14.95 | 16.69 | 14.82 | 16.59 |

For pension annuities in payment, the expectations of life under the current (and previous year) valuation assumptions for sample ages are shown in the table below. For pension deferred annuities, the expectations of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are shown in the table below:

| | Current Age | Expectation of life from Age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 24.13 | 26.54 | 24.07 | 26.19 |
| | 75 | 75 | 14.65 | 16.68 | 14.68 | 16.35 |
| Deferred annuities | 45 | 65 | 27.15 | 29.52 | 27.19 | 29.19 |
| | 55 | 65 | 25.61 | 28.05 | 25.60 | 27.72 |

**Policies previously written in PAL**

The mortality tables used for each product group are shown in the following table:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Term Assurances | 99.4% TMC00<br>102.5% TFC00 | 99.4% TMC00<br>102.5% TFC00 |
| Whole Life & Endowment | 86% AM92<br>112% AF92 | 86% AM92<br>112% AF92 |
| Pensions pre-vesting | 50% AM92<br>57% AF92 | 50% AM92<br>57% AF92 |
| Pensions post vesting (including GAOs) | 99.7% PCMA00<br>95.0% PCFA00 | 99.7% PCMA00<br>95.0% PCFA00 |
| Pension Annuities currently in payment | 99.7% PCMA00<br>95.0% PCFA00 | 99.7% PCMA00<br>95.0% PCFA00 |
| Life Fund Annuities in Payment | 79.1% IM80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120<br>80.9% IF80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 | 71.9% IM80 C=2010 improving 1.5% pa<br>73.6% IF80 C=2010 improving 1.25% pa |
| Life Annuities in deferment | 50% AM92<br>57% AF92 | 50% AM92<br>57% AF92 |
| Permanent Health Insurance | 76% TM92<br>76% TF92 | 76% TM92<br>76% TF92 |
| Linked Life (aggregate) | 81% AM92<br>105% AF92 | 81% AM92<br>105% AF92 |
| Linked Life (non-smoker) | 73% AM92<br>80% AF92 | 73% AM92<br>80% AF92 |
| Linked Life (smoker) | 145% AM92<br>162% AF92 | 145% AM92<br>162% AF92 |

For life annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

| | Current Age | Expectation of life from Age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 23.33 | 25.88 | 23.18 | 25.76 |
| | 75 | 75 | 14.95 | 16.69 | 14.82 | 16.59 |
| Deferred annuities | 45 | 65 | 26.60 | 28.39 | 26.43 | 28.26 |
| | 55 | 65 | 24.94 | 27.12 | 24.77 | 27.00 |

For pension annuities in payment, the basis is the same as for policies previously written in PLL.

**Policies previously written in SLUK**

The mortality tables used for each product group are shown in the following table:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Group Spouses' Annuities | N/A<br>Modified PCFA00 | N/A<br>Modified PCFA00 |
| Life Annuities in payment | 87.2% IMA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120<br>88.6% IFA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 | 87.2% IMA92 C=2010 improving 1.5% pa<br>88.6% IFA92 C=2010 improving 1.25% pa |
| Pension Annuities in payment | 76.0% PCMA00<br>99.7% PCFA00 | 76.0% PCMA00<br>99.7% PCFA00 |
| Life Deferred Annuities | 87.2% IMA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120<br>88.6% IFA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 | 87.2% IMA92 C=2010 improving 1.5% pa<br>88.6% IFA92 C=2010 improving 1.25% pa |
| Pension Deferred Annuities | 76.0% PCMA00<br>99.7% PCFA00 | 76.0% PCMA00<br>99.7% PCFA00 |
| Whole Life and Endowment | 72% AM92<br>72% AM92 -3 yrs | 72% AM92<br>72% AM92 -3 yrs |
| RICTA | 98% TMC00<br>98% TMC00 -3 yrs | 98% TMC00<br>98% TMC00 -3 yrs |
| Group Term Assurance | 82.1% TMC00<br>86.2% TFC00 | 83.4% TMC00<br>87.5% TFC00 |
| Individual Life & Pension Term (aggregate) | 82.1% TMC00<br>86.2% TFC00 | 83.4% TMC00<br>87.5% TFC00 |
| Individual Life & Pension Term (non-smoker) | 78.2% TMN00<br>84.1% TFN00 | 79.4% TMN00<br>85.4% TFN00 |
| Individual Life & Pension Term (smoker) | 80.2% TMS00<br>87.1% TFS00 | 81.4% TMS00<br>88.4% TFS00 |
| Life Unit Linked policies | 94% AM92<br>94% AM92 -3 yrs | 94% AM92<br>94% AM92 -3 yrs |
| Pensions Unit Linked policies | 83% AM92<br>83% AM92 -3 yrs | 83% AM92<br>83% AM92 -3 yrs |
| Income Protection (pre-claim) | 45% TM80<br>45% AF80 | 45% TM80<br>45% AF80 |
| Income Protection (post-claim) | 81% TM80<br>81% AF80 | 81% TM80<br>81% AF80 |

The mortality/morbidity tables used to value individual policies which include total & permanent disability benefits have not been published. Specimen rates from the tables applicable to non-smokers are given below for the current valuation, per 1000 lives:

| | TPD | | Term & TPD | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 25 | 0.237500 | 0.237500 | 0.460000 | 0.315000 |
| 35 | 0.292500 | 0.292500 | 0.543750 | 0.436250 |
| 45 | 0.900000 | 0.900000 | 1.571250 | 1.256250 |
| 55 | 3.361250 | 3.361250 | 5.026250 | 4.047500 |

Rates for the previous valuation were:

| Age | TPD | | Term & TPD | |
|---|---|---|---|---|
| | Males | Females | Males | Females |
| 25 | 0.237500 | 0.237500 | 0.460000 | 0.315000 |
| 35 | 0.292500 | 0.292500 | 0.543750 | 0.436250 |
| 45 | 0.900000 | 0.900000 | 1.571250 | 1.256250 |
| 55 | 3.361250 | 3.361250 | 5.026250 | 4.047500 |

All the above rates are increased by 2% p.a. after 5 years from the valuation date.

Annuitant mortality – Expectation of life at the valuation date

| Age | Male Modified PCMA00 | Female Modified PCFA00 | Male Modified IMA92 | Female Modified IFA92 |
|---|---|---|---|---|
| 65 | 26.50 | 26.13 | 24.76 | 26.73 |
| 75 | 16.70 | 16.32 | 15.42 | 16.72 |

Annuitant mortality – Expectation of life at the previous valuation date

| Age | Male Modified PCMA00 | Female Modified PCFA00 | Male Modified IMA92 | Female Modified IFA92 |
|---|---|---|---|---|
| 65 | 26.47 | 25.78 | 24.62 | 26.62 |
| 75 | 16.75 | 16.00 | 15.30 | 16.63 |

**Policies previously written in Alba**

Percentage of mortality table together with the age adjustments are shown in the table below:

| Product Type | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| Table | A67/70 | Female | A67/70 | Female |
| | % | Age Adj | % | Age Adj |
| LAS Homeplan Series 1 | 70% | -4 | 70% | -4 |
| LAS Homeplan Series 2/3 | 61% | -4 | 61% | -4 |
| LAS Investment Plan | 83% | -4 | 83% | -4 |
| LAS Savings Plan | 83% | -4 | 83% | -4 |
| LAS Five Plus Account | 83% | -4 | 83% | -4 |
| LAS SP Bonds | 83% | -4 | 83% | -4 |
| LAS Blueprint | 70% | -4 | 70% | -4 |
| LAS EPP/FPA | 77% | -4 | 77% | -4 |
| LAS Healthcheque | 60% | -4 | 60% | -4 |
| LAS Vitality | 100% | n/a | 100% | n/a |
| BL Genesis RP Pensions | 88% | none | 88% | none |
| CAPSIL Bonds | 94% | -4 | 94% | -4 |
| CAPSIL Whole of Life | 94% | -4 | 94% | -4 |
| CAPSIL Mortgage Minder | 94% | -4 | 94% | -4 |
| CAPSIL RP Pensions | 88% | -4 | 88% | -4 |
| CAPSIL SP Pensions | 94% | -4 | 94% | -4 |
| COMPASS Bulk Buyouts & GPS | 99% | none | 99% | none |

Ex-BLAS Contracts

For Blueprint Security and Vitality contracts, only the terms to the first review dates were taken into account, with the current sums at risk remaining constant over such terms. For level term assurance rider benefits the current sums at risk were taken as constant to expiry. For other annual premium contracts an estimate was made of the terms over which the sums at risk would reduce to nil and it was assumed that the current sums at risk would reduce over such terms in line with the sums at risk for non-profit endowment assurances. For waiver of premium benefits and permanent health benefits the additional AIDS provision was taken as 1% of the annual benefit.

**Policies previously written in Century**

The mortality bases used in the valuation of the significant groups of business were as follows:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Whole Life and Endowment Assurances | 77% A67/70 [1] | 77% A67/70 [1] |
| Term Assurance (excluding Ex-NAL) | | |
| Aggregate | 61% A67/70 [1] | 61% A67/70 [1] |
| Non Smoker | 51% A67/70 [1] | 51% A67/70 [1] |
| Smoker | 90% A67/70 [1] | 90% A67/70 [1] |
| Term Assurance (Ex-NAL) – Life Assurance, Mortgage Protection & Pensions Life | | |
| Gross Liabilites | | |
| Non Smoker | 46% AM80 [2] | 46% AM80 [2] |
| | 51% AF80 [3] | 51% AF80 [3] |
| Smoker | 81% AM80 [2] | 81% AM80 [2] |
| | 89% AF80 [3] | 89% AF80 [3] |
| Net liabilities (pre 30/6/00 business) | | |
| Non Smoker | 55% AM80 [2] | 55% AM80 [2] |
| | 58% AF80 [3] | 58% AF80 [3] |
| Smoker | 93% AM80 [2] | 93% AM80 [2] |
| | 100% AF80 [3] | 100% AF80 [3] |
| Net liabilities (post 1/7/00 business) | | |
| Non Smoker | 51% AM80 [2] | 51% AM80 [2] |
| | 56% AF80 [3] | 56% AF80 [3] |
| Smoker | 93% AM80 [2] | 93% AM80 [2] |
| | 102% AF80 [3] | 102% AF80 [3] |

[1] AIDS 36.3% R6A (peak) Female age deduction 3 years
[2] AIDS 27.5% R6A (peak)
[3] AIDS 9.2% R6A (peak)

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Life Cover only | | |
| Gross liabilities | Table 1 [2,3] | Table 1 [2,3] |
| Net liabilities (pre 19/3/01 business) | Table 2 [2,3] | Table 2 [2,3] |
| Net liabilities (post 20/3/01 business) | Table 3 [2,3] | Table 3 [2,3] |
| Non Linked Deferred Annuity – in deferment | | |
| Ex With Profit Fund business | 45% A67/70 [4] | 45% A67/70 [4] |
| Ex Non Profit Fund business | 50% A67/70 [4] | 50% A67/70 [4] |
| Ex-NELPEN policies | 61% A67/70 [1] plus 100% funding of units | 61% A67/70 [1] plus 100% funding of units |
| Immediate annuities (& deferred annuities - in payment) - retained | 92.6% PCMA00<br>97.3% PCFA00 | 95.0% PCMA00<br>99.7% PCFA00 |
| Immediate annuities (& deferred annuities - in payment) - externally reassured | 92.6% PCMA00<br>102.1% PCFA00 | 95.0% PCMA00<br>104.5% PCFA00 |

[1] AIDS 36.3% R6A (peak) Female age deduction 3 years
[2] AIDS 27.5% R6A (peak)
[3] AIDS 9.2% R6A (peak)
[4] Female age reduction 3 years

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| Non Linked PHI | 61% A67/70 [1] | 61% A67/70 [1] |
| Linked business | | |
| Sterling Reserves with mortality deductions | | |
| Ex-OMLA | 94% A67/70 [5] | 94% A67/70 [5] |
| Ex-Sentinel & Ex-UK Life – Non Smokers | 61% A67/70 [4] | 61% A67/70 [4] |
| Ex-Sentinel & Ex-UK Life – Smokers | 91% A67/70 [4] | 91% A67/70 [4] |
| Others | 70% A67/70 [4] | 70% A67/70 [4] |
| Sterling Reserves without mortality deductions | 61% A67/70 [1] | 61% A67/70 [1] |

[1] AIDS 36.3% R6A (peak) Female age deduction 3 years
[4] Female age reduction 3 years
[5] Female age reduction 4 years

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced. No additional AIDS reserve was deemed necessary for Group Death in Service benefits by recurrent single premium in view of the limited periods for which the premium rates are guaranteed. No specific provision was made for the minor risk associated with ex-NBA linked 'Bond' business. Ex-NBA pensions death in service benefits are all provided for by monthly current cost deduction from an associated linked fund; as the Company is freely able to review the premium rates charged, no provision for AIDS is considered necessary.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

For annuity bases shown above, the expectations of life at age 65 and 75 are shown in the following tables:

For retained business:

| | Current Age | Expectation of life from Age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 24.76 | 26.33 | 24.49 | 25.78 |
| | 75 | 75 | 15.19 | 16.50 | 15.04 | 16.00 |
| Deferred annuities | 45 | 65 | 27.78 | 29.32 | 27.60 | 28.80 |
| | 55 | 65 | 26.25 | 27.85 | 26.02 | 27.32 |

For externally reassured business:

| | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 24.76 | 25.93 | 24.49 | 25.40 |
| 75 | 15.19 | 16.15 | 15.04 | 15.66 |

For assurances listed above where ‘modified table’ has been used, sample mortality rates per 1000 lives are shown in the tables below

Table 1 current valuation

| Age | Male smoker | Male Non-smoker | Female smoker | Female Non-smoker |
|---|---|---|---|---|
| 25 | 0.64 | 0.38 | 0.28 | 0.16 |
| 35 | 0.68 | 0.38 | 0.52 | 0.30 |
| 45 | 1.75 | 0.77 | 1.56 | 0.77 |
| 55 | 5.64 | 2.41 | 4.20 | 2.06 |

Table 1 previous valuation

| Age | Male smoker | Male Non-smoker | Female smoker | Female Non-smoker |
|---|---|---|---|---|
| 25 | 0.64 | 0.38 | 0.28 | 0.16 |
| 35 | 0.68 | 0.38 | 0.52 | 0.30 |
| 45 | 1.75 | 0.77 | 1.56 | 0.77 |
| 55 | 5.64 | 2.41 | 4.20 | 2.06 |

Table 2 current valuation

| Age | Male smoker | Male Non-smoker | Female smoker | Female Non-smoker |
|---|---|---|---|---|
| 25 | 0.68 | 0.41 | 0.29 | 0.17 |
| 35 | 0.73 | 0.42 | 0.54 | 0.32 |
| 45 | 1.86 | 0.85 | 1.63 | 0.83 |
| 55 | 5.98 | 2.67 | 4.37 | 2.23 |

Table 2 previous valuation

| Age | Male smoker | Male Non-smoker | Female smoker | Female Non-smoker |
|---|---|---|---|---|
| 25 | 0.68 | 0.41 | 0.29 | 0.17 |
| 35 | 0.73 | 0.42 | 0.54 | 0.32 |
| 45 | 1.86 | 0.85 | 1.63 | 0.83 |
| 55 | 5.98 | 2.67 | 4.37 | 2.23 |

Table 3 current valuation

| Age | Male smoker | Male Non-smoker | Female smoker | Female Non-smoker |
|---|---|---|---|---|
| 25 | 0.66 | 0.38 | 0.26 | 0.17 |
| 35 | 0.71 | 0.38 | 0.49 | 0.32 |
| 45 | 1.82 | 0.77 | 1.47 | 0.83 |
| 55 | 5.84 | 2.44 | 3.95 | 2.22 |

Table 3 previous valuation

| Age | Male smoker | Male Non-smoker | Female smoker | Female Non-smoker |
|---|---|---|---|---|
| 25 | 0.66 | 0.38 | 0.26 | 0.17 |
| 35 | 0.71 | 0.38 | 0.49 | 0.32 |
| 45 | 1.82 | 0.77 | 1.47 | 0.83 |
| 55 | 5.84 | 2.44 | 3.95 | 2.22 |

The morbidity bases (combined morbidity and mortality rates where both benefits are covered) used in the valuation of the significant groups of business were as follows:

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| | Modified Table | Modified Table |
| Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Combined Life & Critical Illness Cover | | |
| Gross liabilities | Table 4 [2,3] | Table 4 [2,3] |
| Net liabilities (pre 19/3/01 business) | Table 5 [2,3] | Table 5 [2,3] |
| Net liabilities (post 20/3/01 business) | Table 6 [2,3] | Table 6 [2,3] |
| Non Linked PHI (Ex-NAL) – Critical Illness | | |
| Gross liabilities | Table 7 | Table 7 |
| Net liabilities | Table 8 | Table 8 |
| Non Linked PHI (Ex-NAL)–Tailored Mortgage Protection, Critical Illness Cover only | | |
| Gross liabilities | Table 7 | Table 7 |
| Net liabilities (pre 19/3/01 business) | Table 9 | Table 9 |
| Net liabilities (post 20/3/01 business) | Table 10 | Table 10 |

[2] AIDS 27.5% R6A (peak)
[3] AIDS 9.2% R6A (peak)

For products listed above where 'modified table' has been used, sample rates (combined mortality and morbidity) per 1000 lives are shown in the tables below:

Table 4 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 1.24 | 1.30 | 0.74 | 0.79 | 1.12 | 1.13 | 0.70 | 0.71 |
| 35 | 2.48 | 2.53 | 1.33 | 1.37 | 3.11 | 3.14 | 1.73 | 1.75 |
| 45 | 7.80 | 8.05 | 3.53 | 3.73 | 8.19 | 8.32 | 3.68 | 3.79 |
| 55 | 20.12 | 21.13 | 8.79 | 9.66 | 17.09 | 17.64 | 7.17 | 7.64 |

Table 4 previous valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 1.24 | 1.30 | 0.74 | 0.79 | 1.12 | 1.13 | 0.70 | 0.71 |
| 35 | 2.48 | 2.53 | 1.33 | 1.37 | 3.11 | 3.14 | 1.73 | 1.75 |
| 45 | 7.80 | 8.05 | 3.53 | 3.73 | 8.19 | 8.32 | 3.68 | 3.79 |
| 55 | 20.12 | 21.13 | 8.79 | 9.66 | 17.09 | 17.64 | 7.17 | 7.64 |

Table 5 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 1.22 | 1.28 | 0.74 | 0.78 | 1.04 | 1.05 | 0.66 | 0.66 |
| 35 | 2.35 | 2.40 | 1.28 | 1.31 | 2.87 | 2.89 | 1.61 | 1.62 |
| 45 | 7.31 | 7.53 | 3.34 | 3.52 | 7.60 | 7.72 | 3.45 | 3.55 |
| 55 | 19.02 | 19.92 | 8.41 | 9.20 | 15.97 | 16.47 | 6.83 | 7.25 |

Table 5 previous valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 1.22 | 1.28 | 0.74 | 0.78 | 1.04 | 1.05 | 0.66 | 0.66 |
| 35 | 2.35 | 2.40 | 1.28 | 1.31 | 2.87 | 2.89 | 1.61 | 1.62 |
| 45 | 7.31 | 7.53 | 3.34 | 3.52 | 7.60 | 7.72 | 3.45 | 3.55 |
| 55 | 19.02 | 19.92 | 8.41 | 9.20 | 15.97 | 16.47 | 6.83 | 7.25 |

Table 6 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 1.00 | 1.04 | 0.59 | 0.61 | 0.74 | 0.74 | 0.48 | 0.48 |
| 35 | 1.73 | 1.76 | 0.92 | 0.94 | 1.96 | 1.97 | 1.13 | 1.14 |
| 45 | 5.26 | 5.39 | 2.34 | 2.45 | 5.23 | 5.31 | 2.48 | 2.54 |
| 55 | 14.06 | 14.63 | 6.06 | 6.56 | 11.27 | 11.58 | 5.12 | 5.39 |

Table 6 previous valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 1.00 | 1.04 | 0.59 | 0.61 | 0.74 | 0.74 | 0.48 | 0.48 |
| 35 | 1.73 | 1.76 | 0.92 | 0.94 | 1.96 | 1.97 | 1.13 | 1.14 |
| 45 | 5.26 | 5.39 | 2.34 | 2.45 | 5.23 | 5.31 | 2.48 | 2.54 |
| 55 | 14.06 | 14.63 | 6.06 | 6.56 | 11.27 | 11.58 | 5.12 | 5.39 |

Table 7 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.56 | 0.64 | 0.33 | 0.39 | 0.83 | 0.85 | 0.52 | 0.53 |
| 35 | 1.70 | 1.81 | 0.89 | 0.96 | 2.54 | 2.66 | 1.39 | 1.46 |
| 45 | 5.84 | 6.25 | 2.64 | 2.90 | 6.34 | 6.68 | 2.79 | 2.98 |
| 55 | 15.01 | 16.36 | 6.53 | 7.49 | 13.09 | 13.99 | 5.21 | 5.79 |

Table 7 previous valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.56 | 0.64 | 0.33 | 0.39 | 0.83 | 0.85 | 0.52 | 0.53 |
| 35 | 1.70 | 1.81 | 0.89 | 0.96 | 2.54 | 2.66 | 1.39 | 1.46 |
| 45 | 5.84 | 6.25 | 2.64 | 2.90 | 6.34 | 6.68 | 2.79 | 2.98 |
| 55 | 15.01 | 16.36 | 6.53 | 7.49 | 13.09 | 13.99 | 5.21 | 5.79 |

Table 8 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.51 | 0.58 | 0.30 | 0.35 | 0.74 | 0.76 | 0.47 | 0.47 |
| 35 | 1.55 | 1.65 | 0.81 | 0.87 | 2.27 | 2.37 | 1.24 | 1.30 |
| 45 | 5.31 | 5.69 | 2.40 | 2.64 | 5.66 | 5.96 | 2.49 | 2.66 |
| 55 | 13.67 | 14.90 | 5.95 | 6.82 | 11.68 | 12.48 | 4.65 | 5.17 |

Table 8 previous valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.51 | 0.58 | 0.30 | 0.35 | 0.74 | 0.76 | 0.47 | 0.47 |
| 35 | 1.55 | 1.65 | 0.81 | 0.87 | 2.27 | 2.37 | 1.24 | 1.30 |
| 45 | 5.31 | 5.69 | 2.40 | 2.64 | 5.66 | 5.96 | 2.49 | 2.66 |
| 55 | 13.67 | 14.90 | 5.95 | 6.82 | 11.68 | 12.48 | 4.65 | 5.17 |

Table 9 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.50 | 0.57 | 0.30 | 0.35 | 0.74 | 0.77 | 0.47 | 0.48 |
| 35 | 1.53 | 1.63 | 0.80 | 0.86 | 2.29 | 2.40 | 1.25 | 1.31 |
| 45 | 5.25 | 5.63 | 2.37 | 2.61 | 5.71 | 6.02 | 2.51 | 2.68 |
| 55 | 13.51 | 14.73 | 5.88 | 6.74 | 11.78 | 12.60 | 4.69 | 5.21 |

Table 9 previous valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.50 | 0.57 | 0.30 | 0.35 | 0.74 | 0.77 | 0.47 | 0.48 |
| 35 | 1.53 | 1.63 | 0.80 | 0.86 | 2.29 | 2.40 | 1.25 | 1.31 |
| 45 | 5.25 | 5.63 | 2.37 | 2.61 | 5.71 | 6.02 | 2.51 | 2.68 |
| 55 | 13.51 | 14.73 | 5.88 | 6.74 | 11.78 | 12.60 | 4.69 | 5.21 |

Table 10 current valuation

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.38 | 0.44 | 0.23 | 0.27 | 0.57 | 0.58 | 0.36 | 0.36 |
| 35 | 1.17 | 1.24 | 0.61 | 0.65 | 1.74 | 1.82 | 0.95 | 1.00 |
| 45 | 3.99 | 4.28 | 1.80 | 1.99 | 4.34 | 4.57 | 1.91 | 2.04 |
| 55 | 10.27 | 11.20 | 4.47 | 5.13 | 8.96 | 9.58 | 3.57 | 3.96 |

Table 10 previous rates

| Age | Male smoker | | Male Non-smoker | | Female smoker | | Female Non-smoker | |
|---|---|---|---|---|---|---|---|---|
| | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD | Without TPD | With TPD |
| 25 | 0.38 | 0.44 | 0.23 | 0.27 | 0.57 | 0.58 | 0.36 | 0.36 |
| 35 | 1.17 | 1.24 | 0.61 | 0.65 | 1.74 | 1.82 | 0.95 | 1.00 |
| 45 | 3.99 | 4.28 | 1.80 | 1.99 | 4.34 | 4.57 | 1.91 | 2.04 |
| 55 | 10.27 | 11.20 | 4.47 | 5.13 | 8.96 | 9.58 | 3.57 | 3.96 |

**Policies previously written in BULA**

The mortality bases used in the valuation of the significant groups of business were as follows:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Business formerly in the Unit Linked Fund | | |
| Unit-linked Business (excluding the below) | 110% AMC00<br>110% AFC00 | 110% AMC00<br>110% AFC00 |
| Unit-linked endowments with critical illness | 125% Gerling SI morbidity and:<br>110% AMC00<br>110% AFC00 | 125% Gerling SI morbidity and:<br>110% AMC00<br>110% AFC00 |
| Unit-linked deferred annuity (pre-vesting) | 58% AMC00<br>58% AFC00 | 58% AMC00<br>58% AFC00 |
| Unit-linked Personal pension, FSAVCs and Stakeholder pension | 165% AMC00<br>154% AFC00 | 165% AMC00<br>154% AFC00 |
| Business formerly in the Non-Profit Fund | | |
| Pension Annuities in Payment | 92.6% PCMA00<br>97.3% PCFA00 | 95.0% PCMA00<br>99.7% PCFA00 |
| Life Fund Annuities in Payment | 70.1% IM80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120<br>71.8% IF80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 | 71.9% IM80 C=2010 improving 1.5% pa<br>73.6% IF80 C=2010 improving 1.25% pa |
| Unit Linked Business with aggregate smoker status | | |
| | 88% AM92<br>88% AF92 | 88% AM92<br>88% AF92 |
| Unit Linked Business with smoker split | | |
| Aggregate | 88% AM92<br>88% AF92 | 88% AM92<br>88% AF92 |
| Non Smoker | 77% AM92<br>66% AF92 | 77% AM92<br>66% AF92 |
| Smoker | 176% AM92<br>132% AF92 | 176% AM92<br>132% AF92 |
| Aggregate Term Assurance | 120.6% TMC00<br>112.4% TFC00 | 120.6% TMC00<br>112.4% TFC00 |
| Term Assurance (codes GITN & GITF) | | |
| Non Smoker | 328.6% TMN00<br>175.9% TFN00 | 328.6% TMN00<br>175.9% TFN00 |
| Smoker | 211.0% TMS00<br>178.8% TFS00 | 211.0% TMS00<br>178.8% TFS00 |
| Other Term Assurances | | |
| Non Smoker | 139.6% TMN00<br>133.7% TFN00 | 139.6% TMN00<br>133.7% TFN00 |
| Smoker | 122.7% TMS00<br>114.5% TFS00 | 122.7% TMS00<br>114.5% TFS00 |
| Whole of Life (with medical selection) | 105% AM92<br>119% AF92 | 105% AM92<br>119% AF92 |
| Senior Security Plan | Modified AM92/AF92 | Modified AM92/AF92 |
| Other Permanent Assurances | 99% AM92<br>121% AF92 | 99% AM92<br>121% AF92 |
| AIDS loading where relevant | Nil | Nil |

For pension annuities in payment, the expectations of life at age 65 and 75 are shown in the following table:

| | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 24.76 | 26.33 | 24.49 | 25.78 |
| 75 | 15.19 | 16.50 | 15.04 | 16.00 |

For life annuities in payment, the expectations of life at age 65 and 75 are shown in the following table:

| | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| Age | Males | Females | Males | Females |
| 65 | 23.33 | 25.88 | 23.18 | 25.76 |
| 75 | 14.95 | 16.69 | 14.82 | 16.59 |

For the Senior Security Plan where a ‘modified table’ has been used, sample percentages of the mortality table are shown in the table below for the current valuation:

| Age | Male non-TV sales | Male TV sales | Female non-TV sales | Female TV sales |
|---|---|---|---|---|
| 50 | 333.438% | 331.273% | 252.767% | 364.505% |
| 60 | 204.227% | 230.024% | 187.765% | 241.720% |
| 70 | 127.104% | 150.603% | 148.258% | 174.042% |
| 80 | 103.006% | 121.461% | 132.725% | 159.702% |

For the Senior Security Plan where a ‘modified table’ has been used, sample percentages of the mortality table are shown in the table below for the previous valuation:

| Age | Male non-TV sales | Male TV sales | Female non-TV sales | Female TV sales |
|---|---|---|---|---|
| 50 | 333.438% | 331.273% | 252.767% | 364.505% |
| 60 | 204.227% | 230.024% | 187.765% | 241.720% |
| 70 | 127.104% | 150.603% | 148.258% | 174.042% |
| 80 | 103.006% | 121.461% | 132.725% | 159.702% |

**Policies previously written in BRS**

The mortality tables used are modified RMV00/RFV00 mortality factors plus longevity improvement factors. The improvements are in line with those shown at the start of section 4(4) above.

The table below shows the expectation of life for each class of impaired life for the current valuation:

| Representative description of underwriting category | Standard | Light smoker | Diabetic | Smoker | Medium impairment | High impairment | Seriously ill |
|---|---|---|---|---|---|---|---|
| Male aged 65 | 27.12 | 24.63 | 26.34 | 22.45 | 22.12 | 18.01 | 15.22 |
| Male aged 75 | 17.41 | 15.27 | 17.22 | 13.46 | 14.74 | 10.51 | 8.59 |
| Female aged 65 | 30.05 | 27.73 | 25.61 | 21.42 | 19.69 | 16.73 | 19.49 |
| Female aged 75 | 19.79 | 17.68 | 15.91 | 12.29 | 11.17 | 9.50 | 11.28 |

The table below shows the expectation of life for each class of impaired life for the previous valuation:

| Representative description of underwriting category | Standard | Light smoker | Diabetic | Smoker | Medium impairment | High impairment | Seriously ill |
|---|---|---|---|---|---|---|---|
| Male aged 65 | 27.09 | 24.57 | 26.27 | 22.36 | 21.96 | 17.82 | 15.00 |
| Male aged 75 | 17.46 | 15.31 | 17.27 | 13.48 | 14.76 | 10.49 | 8.55 |
| Female aged 65 | 29.72 | 27.40 | 25.26 | 21.13 | 19.34 | 16.37 | 19.14 |
| Female aged 75 | 19.46 | 17.37 | 15.58 | 12.02 | 10.86 | 9.19 | 10.97 |

**Policies previously written in BA**

| **Product Group** | **Current Valuation M/F bases** | **Previous Valuation M/F bases** |
|---|---|---|
| Decreasing term assurance with critical illness cover | 125% Gerling Re morbidity and:<br>105% TMC00<br>110% TFC00 | 125% Gerling Re morbidity and:<br>105% TMC00<br>110% TFC00 |
| Non linked immediate annuity | 111.6% RMV00<br>111.6% RFV00 | 109.2% RMV00<br>106.8% RFV00 |
| Aggregate Term Assurance | 105% TMC00<br>110% TFC00 | 105% TMC00<br>110% TFC00 |
| Term Assurance (codes T1 & T2) | | |
| Aggregate | 166% TMC00<br>163% TFC00 | 166% TMC00<br>163% TFC00 |
| Non Smoker | 106% TMC00<br>105% TFC00 | 106% TMC00<br>105% TFC00 |
| Smoker | 226% TMC00<br>222% TFC00 | 226% TMC00<br>222% TFC00 |
| Term Assurance with serious illness (codes ST1 & ST2) | 125% Gerling SI morbidity and: | 125% Gerling SI morbidity and: |
| Aggregate | 199% TMC00<br>139% TFC00 | 199% TMC00<br>139% TFC00 |
| Non Smoker | 119% TMC00<br>88% TFC00 | 119% TMC00<br>88% TFC00 |
| Smoker | 278% TMC00<br>189% TFC00 | 278% TMC00<br>189% TFC00 |
| Endowment and Whole of Life | 110% AMC00<br>110% AFC00 | 110% AMC00<br>110% AFC00 |
| Pension deferred annuities (pre-vesting) | 90% AMC00<br>90% AFC00 | 90% AMC00<br>90% AFC00 |

Note that the mortality basis for the assurances is combined with the allowance for morbidity described in section 4(5).

For pension annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

| | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| **Age** | **Males** | **Females** | **Males** | **Females** |
| 65 | 22.92 | 26.13 | 23.02 | 26.14 |
| 75 | 13.85 | 16.26 | 14.01 | 16.25 |

**Policies previously written in SMA**

The mortality bases used in the valuation of the significant groups of business were as follows:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Life Assurances (excluding term assurance) | | |
| Smoker | 69% AM92 [1]<br>72% AF92 | 69% AM92 [1]<br>72% AF92 |
| Non-smoker | 55% AM92 [1]<br>77% AF92 | 55% AM92 [1]<br>77% AF92 |
| Pension Assurances (individual and group) | 72% AM92<br>66% AF92 | 72% AM92<br>66% AF92 |
| Term Assurances (Life) | | |
| Smoker | 117% TM92 [1]<br>112% TF92 | 117% TM92 [1]<br>112% TF92 |
| Non-smoker | 59% TM92 [1]<br>78% TF92 | 59% TM92 [1]<br>78% TF92 |
| Term Assurances (Pension) | 79% TM92 [1]<br>105% TF92 | 79% TM92 [1]<br>105% TF92 |
| Unit-linked and unitised with-profits life | 77% AM80 [1]<br>77% AF80 | 77% AM80 [1]<br>77% AF80 |
| Unit-linked and unitised with-profits pensions | 77% AM80<br>77% AF80 | 77% AM80<br>77% AF80 |
| Deferred annuities (in deferment) (individual and group) | 72% AM92<br>66% AF92 | 72% AM92<br>66% AF92 |
| Deferred annuities (in payment) - life (individual and group) | 94% IMA92 mc<br>102% IFA92 mc | 94% IMA92 mc<br>102% IFA92 mc |
| Immediate annuities in payment - life | 100% IMA92 mc<br>109% IFA92 mc | 100% IMA92 mc<br>109% IFA92 mc |
| Immediate and deferred annuities in payment - pensions | 102.1% PCMA00<br>95.0% PCFA00 | 102.1% PCMA00<br>95.0% PCFA00 |

[1] AIDS 33% R6A (peak) for males only

For life annuities in payment and deferred annuities the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | **Males** | **Females** | **Males** | **Females** |
| Immediate annuities | 65 | 65 | 22.93 | 24.86 | 22.86 | 24.82 |
| | 75 | 75 | 14.33 | 15.45 | 14.29 | 15.41 |
| Deferred annuities | 45 | 65 | 24.31 | 25.96 | 24.28 | 25.93 |
| | 55 | 65 | 23.91 | 25.67 | 23.87 | 25.64 |

For pensions annuities in payment and deferred annuities the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 23.93 | 26.54 | 23.86 | 26.19 |
| | 75 | 75 | 14.48 | 16.68 | 14.51 | 16.35 |
| Deferred annuities | 45 | 65 | 26.95 | 29.52 | 26.99 | 29.19 |
| | 55 | 65 | 25.41 | 28.05 | 25.40 | 27.72 |

**Policies previously written in SPL**

The mortality bases used in the valuation of the significant groups of business were as follows:

| Product Group | Current Valuation M/F bases | Previous Valuation M/F bases |
|---|---|---|
| Endowment Assurance and Linked Assurances other than Flexible Mortgage Plan and Self Assurance Lifetime | | |
| Aggregate | 88% AM92 [1]<br>110% AF92 | 88% AM92 1<br>110% AF92 |
| Non-smoker | 70% AM92 [1]<br>88% AF92 | 70% AM92 1<br>88% AF92 |
| Smoker | 141% AM92 [1]<br>176% AF92 | 141% AM92 1<br>176% AF92 |
| Flexible Mortgage Plan and Self Assurance Lifetime (mortality only), Whole Life Assurance and Term Assurance | Modified TM92 [1]<br>Modified TF92 | Modified TM92 1<br>Modified TF92 |
| Deferred annuities (in deferment) | | |
| Overseas (group and individual) | Nil Mortality | Nil Mortality |
| UK (individual) | Nil Mortality | Nil Mortality |
| UK (group) | 88% AM92<br>110% AF92 | 88% AM92<br>110% AF92 |
| Linked Deferred Annuities (in deferment) and Group Pensions (overseas) | Nil mortality | Nil mortality |
| Immediate and deferred annuities in payment | 102.1% PCMA00<br>95.0% PCFA00 | 102.1% PCMA00<br>95.0% PCFA00 |

[1] AIDS 33% R6A (peak) for males only

Where the mortality assumptions are based on the TM92/TF92 tables, age-related percentages are used. Select rates are used for conventional term assurance and ultimate rates for conventional whole life assurance and the Flexible Mortgage Plan. Sample mortality rate per 1000 lives are as follows:

Conventional term assurance – current year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.408 | 0.729 | 0.185 | 0.280 |
| 35 | 0.438 | 0.719 | 0.287 | 0.486 |
| 45 | 0.912 | 1.643 | 0.715 | 1.343 |
| 55 | 2.494 | 6.426 | 1.873 | 3.864 |

Conventional term assurance – previous year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.408 | 0.729 | 0.185 | 0.280 |
| 35 | 0.438 | 0.719 | 0.287 | 0.486 |
| 45 | 0.926 | 1.657 | 0.715 | 1.343 |
| 55 | 2.506 | 6.438 | 1.873 | 3.864 |

Conventional whole life assurance – current year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.421 | 0.421 | 0.218 | 0.218 |
| 35 | 0.444 | 0.444 | 0.348 | 0.348 |
| 45 | 0.947 | 0.947 | 0.892 | 0.892 |
| 55 | 2.862 | 2.862 | 2.406 | 2.406 |

Conventional whole life assurance – previous year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.421 | 0.421 | 0.218 | 0.218 |
| 35 | 0.444 | 0.444 | 0.348 | 0.348 |
| 45 | 0.961 | 0.961 | 0.892 | 0.892 |
| 55 | 2.874 | 2.874 | 2.406 | 2.406 |

Unitised Flexible Mortgage Plan – current year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.503 | 0.500 | 0.244 | 0.391 |
| 35 | 0.539 | 0.495 | 0.378 | 0.680 |
| 45 | 1.113 | 1.143 | 0.942 | 1.877 |
| 55 | 3.060 | 4.429 | 2.468 | 5.401 |

Unitised Flexible Mortgage Plan – previous year

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.503 | 0.500 | 0.244 | 0.391 |
| 35 | 0.539 | 0.495 | 0.378 | 0.680 |
| 45 | 1.127 | 1.157 | 0.942 | 1.877 |
| 55 | 3.072 | 4.441 | 2.468 | 5.401 |

For pensions annuities in payment and deferred annuities the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 23.93 | 26.54 | 23.86 | 26.19 |
| | 75 | 75 | 14.48 | 16.68 | 14.51 | 16.35 |
| Deferred annuities | 45 | 65 | 26.95 | 29.52 | 26.99 | 29.19 |
| | 55 | 65 | 25.41 | 28.05 | 25.40 | 27.72 |

**Policies previously written in NPIL**

The mortality bases[1] are:

| Product Group | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| | Males | Females | Males | Females |
| NPIL Pre-vesting | | | | |
| All business | 90% AM92 | 90% AF92 | 90% AM92 | 90% AF92 |
| NPIL Post-vesting/In payment | | | | |
| Pension annuities | 90.2% RMV00[2] | 96.9% RFV00[2] | 85.5% RMV00[2] | 96.9% RFV00[2] |
| Pensions deferred annuities | 90.2% RMV00[2] | 96.9% RFV00[2] | 85.5% RMV00[2] | 96.9% RFV00[2] |
| Group GAF annuities | 90.2% RMV00[2] | 96.9% RFV00[2] | 85.5% RMV00[2] | 96.9% RFV00[2] |
| Life/IRS/Individual GAF annuities | 100% IML92[3] | 100% IFL92[4] | 100% IML92[3] | 100% IFL92[4] |
| Life deferred annuities | 100% IML92[3] | 100% IFL92[4] | 100% IML92[3] | 100% IFL92[4] |
| PAUF Single Premium | 95% AMC00 | 95% AFC00 | 95% AMC00 | 95% AFC00 |
| PAUF Regular Premium | 116% AMC00 | 116% AFC00 | 116% AMC00 | 116% AFC00 |
| PAULP linked products | 79% AMC00 | 79% AFC00 | 79% AMC00 | 79% AFC00 |
| PAULP immediate annuities | 109% RMV00[2] | 107% RFV00[2] | 109% RMV00[2] | 107% RFV00[2] |
| LLLA all business | 100% A67/70 | 100% A67/70 rated down 4 years | 100% A67/70 | 100% A67/70 rated down 4 years |

Notes:

1. Ultimate mortality has been used in all cases.
2. CMI 2012 improvements: 2.5% for ages up to age 75, reducing linearly to 0% at age 120.
3. Annual improvements: average of Medium and Long cohort improvements, with 1.5% floor.
4. Annual improvements: 75% of average of Medium and Long cohort improvements, with minimum of the CMI17 floor and 1.25%.

For annuity contracts, life expectations in years for males are:

| Product Group | Annuities in payment | | Deferred annuities: life expectation at age 65 | |
|---|---|---|---|---|
| | Age 65 | Age 75 | Age 45 | Age 55 |
| NPIL | | | | |
| Pensioners | 24.70 | 15.30 | | |
| Group GAF annuities | 24.70 | 15.30 | | |
| Life/IRS/Ind GAF annuities | 24.30 | 15.20 | | |
| Life deferred annuities | | | 27.10 | 25.70 |
| Pensions deferred annuities | | | 27.60 | 26.10 |
| PAULP | | | | |
| Immediate annuities | 23.27 | 14.22 | | |

For annuity contracts, life expectations in years for females are:

| Product Group | Annuities in payment | | Deferred annuities: life expectation at age 65 | |
|---|---|---|---|---|
| | Age 65 | Age 75 | Age 45 | Age 55 |
| NPIL | | | | |
| Pensioners | 27.20 | 17.20 | | |
| Group GAF annuities | 27.20 | 17.20 | | |
| Life/IRS/Ind GAF annuities | 25.70 | 16.20 | | |
| Life deferred annuities | | | 27.90 | 26.80 |
| Pensions deferred annuities | | | 30.00 | 28.60 |
| PAULP | | | | |
| Immediate annuities | 25.38 | 15.58 | | |

**Policies previously written in With Profits funds**

These contracts represent former with profit policies which have vested in the Non Profit Fund. They originate from the Alba With-Profits Fund, SAL With-Profits Fund and Phoenix With-Profits Funds and the arrangement for such plans to vest in the Non Profit Fund began with effect from 1 January 2011.

The mortality bases used in the valuation of the significant groups of business were as follows:

| PHASE IV ANNUITIES (ALBA, SAL and PWP (STG), PWP (ex-STG)) | | |
|---|---|---|
| **Product Group** | **Current Valuation M/F bases** | **Previous Valuation M/F bases** |
| Pension Annuities in payment<br>- ALBA Annuities | 95.0% PCMA00<br>83.1% PCFA00 | 97.3% PCMA00<br>85.5% PCFA00 |
| Pension Annuities in payment<br>- SAL Annuities | 95.0% PCMA00<br>90.2% PCFA00 | 97.3% PCMA00<br>90.2% PCFA00 |
| Pension Annuities in payment<br>- PWP (ex STG) Annuities | 95.0% PCMA00<br>104.5% PCFA00 | 95.0% PCMA00<br>102.1% PCFA00 |
| Pension Annuities in payment<br>- PWP STG Annuities | 135.3% PCMA00<br>133.0% PCFA00 | 135.3% PCMA00<br>133.0% PCFA00 |

Note that within the Phoenix With-Profits Fund there is a group of business called the Scottish Transport Group (STG) where this book of business is known to demonstrate much heavier mortality than the rest of the Phoenix With-Profits Fund book of business.

For pensions annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

Ex-Alba With-Profits Fund:

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 24.54 | 27.67 | 24.28 | 27.08 |
| | 75 | 75 | 15.01 | 17.68 | 14.86 | 17.14 |

Ex-SAL With-Profits Fund:

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 24.54 | 26.97 | 24.28 | 26.62 |
| | 75 | 75 | 15.01 | 17.06 | 14.86 | 16.73 |

Ex-Phoenix With-Profits Fund (excl STG):

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 24.54 | 25.74 | 24.49 | 25.59 |
| | 75 | 75 | 15.01 | 15.99 | 15.04 | 15.83 |

Ex-Phoenix With-Profits Fund (STG):

| | Current Age | Expectation of life from age | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|---|
| | | | Males | Females | Males | Females |
| Immediate annuities | 65 | 65 | 21.59 | 23.78 | 21.50 | 23.45 |
| | 75 | 75 | 12.55 | 14.30 | 12.56 | 14.00 |

**(5) Morbidity Basis**

**Policies previously written in PLL but not in PAL or SLUK**

For PHI policies previously written in PLL but not in PAL or SLUK, the reserve has been calculated as a proportion of the annual premium in force. No morbidity tables are used for this business.

**Policies previously written in PAL**

For PHI benefits previously written in PAL, the assumed inception & recovery rates are expressed as varying percentages of CMIR12. Sample inception & recovery rates for occupational class 1 lives, based on a 3 month deferred period, are as follows:

Inception rates expressed as a percentage of CMIR12

| Age | Table | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| 25 | CMIR12 | 67.00% | 116.00% | 67.00% | 116.00% |
| 35 | CMIR12 | 67.00% | 116.00% | 67.00% | 116.00% |
| 45 | CMIR12 | 67.00% | 116.00% | 67.00% | 116.00% |
| 55 | CMIR12 | 59.00% | 104.00% | 59.00% | 104.00% |

Recovery rates expressed as a percentage of CMIR12 for 2 years duration and 5 years duration

| Age | Table | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| 25 | CMIR12 | 23.00% | 23.00% | 23.00% | 23.00% |
| 35 | CMIR12 | 23.00% | 23.00% | 23.00% | 23.00% |
| 45 | CMIR12 | 23.00% | 23.00% | 23.00% | 23.00% |
| 55 | CMIR12 | 23.00% | 23.00% | 23.00% | 23.00% |

**For policies previously written in SLUK**

For PHI and critical illness policies previously written in SLUK, the following morbidity assumptions are used (for PHI the non-smoker, 3 month deferred period, occupational class 1 rates are shown):

Inception rates expressed as a percentage of the table:

| Age | Table | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| Individual/Group PHI | | | | | |
| 25 | CMIR12 | 26.00% | 45.50% | 26.00% | 45.50% |
| 35 | CMIR12 | 26.00% | 45.50% | 26.00% | 45.50% |
| 45 | CMIR12 | 26.00% | 45.50% | 26.00% | 45.50% |
| 55 | CMIR12 | 26.00% | 45.50% | 26.00% | 45.50% |
| Critical Illness (non-smoker) | | | | | |
| 25 | CIBT93M | 45.00% | 63.00% | 45.00% | 63.00% |
| 35 | CIBT93M | 45.00% | 63.00% | 45.00% | 63.00% |
| 45 | CIBT93M | 45.00% | 63.00% | 45.00% | 63.00% |
| 55 | CIBT93M | 45.00% | 63.00% | 45.00% | 63.00% |
| Critical Illness (smoker and aggregate) | | | | | |
| 25 | CIBT93M | 95.00% | 100.00% | 95.00% | 100.00% |
| 35 | CIBT93M | 95.00% | 100.00% | 95.00% | 100.00% |
| 45 | CIBT93M | 95.00% | 100.00% | 95.00% | 100.00% |
| 55 | CIBT93M | 95.00% | 100.00% | 95.00% | 100.00% |
| Accelerated Critical Illness (non-smoker) : Term assurance mortality plus: | | | | | |
| 25 | CIBT93M | 46.00% | 64.00% | 46.00% | 64.00% |
| 35 | CIBT93M | 46.00% | 64.00% | 46.00% | 64.00% |
| 45 | CIBT93M | 46.00% | 64.00% | 46.00% | 64.00% |
| 55 | CIBT93M | 46.00% | 64.00% | 46.00% | 64.00% |
| Accelerated Critical Illness (smoker and aggregate) : Term assurance mortality plus: | | | | | |
| 25 | CIBT93M | 98.00% | 103.00% | 98.00% | 103.00% |
| 35 | CIBT93M | 98.00% | 103.00% | 98.00% | 103.00% |
| 45 | CIBT93M | 98.00% | 103.00% | 98.00% | 103.00% |
| 55 | CIBT93M | 98.00% | 103.00% | 98.00% | 103.00% |

Recovery rates expressed as a percentage of CMIR12 for 2 years duration and 5 years duration

| Age | Table | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| Individual and Group PHI claims | | | | | |
| 25 | CMIR12 | 83.00% | 83.00% | 83.00% | 83.00% |
| 35 | CMIR12 | 83.00% | 83.00% | 83.00% | 83.00% |
| 45 | CMIR12 | 83.00% | 83.00% | 83.00% | 83.00% |
| 55 | CMIR12 | 83.00% | 83.00% | 83.00% | 83.00% |

**Policies previously written in Alba**

The reserves for products covering morbidity risk do not exceed the materiality limits.

**Policies previously written in BRS**

No products cover morbidity risk.

**Policies previously written in BA**

The morbidity rates are based on those charged by the reinsurer and reflect the fact that the business relates to the United Kingdom.

Tables for aggregate (i.e. combined smoker/non smoker) rates are shown below:

| Male Aggregate | Current Valuation | Previous Valuation |
|---|---|---|
| Age | | |
| 25 | 0.051% | 0.051% |
| 35 | 0.085% | 0.085% |
| 45 | 0.260% | 0.260% |
| 55 | 0.654% | 0.654% |
| Female Aggregate | Current Valuation | Previous Valuation |
| Age | | |
| 25 | 0.070% | 0.070% |
| 35 | 0.156% | 0.156% |
| 45 | 0.325% | 0.325% |
| 55 | 0.640% | 0.640% |

Tables for non smoker rates:

| Male Non Smoker | Current Valuation | Previous Valuation |
|---|---|---|
| Age | | |
| 25 | 0.045% | 0.045% |
| 35 | 0.062% | 0.062% |
| 45 | 0.166% | 0.166% |
| 55 | 0.436% | 0.436% |
| Female Non Smoker | Current Valuation | Previous Valuation |
| Age | | |
| 25 | 0.050% | 0.050% |
| 35 | 0.109% | 0.109% |
| 45 | 0.227% | 0.227% |
| 55 | 0.456% | 0.456% |

Tables for smoker rates:

| Male Smoker | Current Valuation | Previous Valuation |
|---|---|---|
| Age | | |
| 25 | 0.056% | 0.056% |
| 35 | 0.108% | 0.108% |
| 45 | 0.355% | 0.355% |
| 55 | 0.872% | 0.872% |
| Female Smoker | Current Valuation | Previous Valuation |
| Age | | |
| 25 | 0.089% | 0.089% |
| 35 | 0.204% | 0.204% |
| 45 | 0.423% | 0.423% |
| 55 | 0.824% | 0.824% |

**Policies previously written in SMA**

For conventional PHI policies, the following morbidity bases are used:

Inception rates expressed as a percentage of the table:

| Age | Table | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| 25 | CMIR12 | 160.00% | 160.00% | 160.00% | 160.00% |
| 35 | CMIR12 | 160.00% | 160.00% | 160.00% | 160.00% |
| 45 | CMIR12 | 160.00% | 160.00% | 160.00% | 160.00% |
| 55 | CMIR12 | 160.00% | 160.00% | 160.00% | 160.00% |

Recovery rates expressed as a percentage of the table:

| Age | Table | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| 25 | CMIR12 | 70.00% | 70.00% | 70.00% | 70.00% |
| 35 | CMIR12 | 70.00% | 70.00% | 70.00% | 70.00% |
| 45 | CMIR12 | 70.00% | 70.00% | 70.00% | 70.00% |
| 55 | CMIR12 | 70.00% | 70.00% | 70.00% | 70.00% |

For Homeowner, morbidity rates are based on those charged by the reinsurer and are as follows, per 1000 lives:

Critical illness

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.517 | 0.923 | 0.491 | 0.875 |
| 35 | 0.747 | 1.430 | 1.263 | 2.337 |
| 45 | 2.070 | 3.780 | 3.119 | 5.756 |
| 55 | 6.793 | 12.292 | 6.519 | 11.779 |

Residual mortality

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.313 | 0.313 | 0.054 | 0.085 |
| 35 | 0.182 | 0.182 | 0.006 | 0.008 |
| 45 | 0.245 | 0.245 | 0.006 | 0.008 |
| 55 | 0.037 | 0.037 | 0.006 | 0.008 |

**Policies previously written in SPL**

The morbidity rates used in the valuation all relate to critical illness benefits and are all based on the rates charged by the reinsurers.

Sample valuation rates for conventional term assurance and conventional endowment assurance, both for combined mortality and critical illness benefits, are as follows:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.001030 | 0.001209 | 0.000863 | 0.000774 |
| 35 | 0.001078 | 0.001737 | 0.001316 | 0.001623 |
| 45 | 0.002352 | 0.005238 | 0.002726 | 0.004697 |
| 55 | 0.007785 | 0.014841 | 0.007645 | 0.011184 |

An allowance was made for a future deterioration of 0.375% p.a. for each of mortality, critical illness and TPD.

Sample valuation rates for conventional term assurance with critical illness benefits only are as follows. This option is not available for conventional endowment assurance.

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.000656 | 0.000700 | 0.000634 | 0.000460 |
| 35 | 0.000880 | 0.001292 | 0.001371 | 0.001369 |
| 45 | 0.001980 | 0.004057 | 0.002886 | 0.004025 |
| 55 | 0.007251 | 0.012616 | 0.007841 | 0.009283 |

An allowance was made for a future deterioration of 0.75% p.a. for each of critical illness and TPD.

Sample valuation rates for Flexible Mortgage Plan and Self Assurance Lifetime are as follows:

Combined mortality and critical illness:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.001062 | 0.001251 | 0.000766 | 0.000947 |
| 35 | 0.001122 | 0.001815 | 0.001211 | 0.002061 |
| 45 | 0.002363 | 0.005281 | 0.002489 | 0.005915 |
| 55 | 0.007708 | 0.014744 | 0.006766 | 0.013646 |

Critical illness benefits only:

| Age | Male non-smoker | Male smoker | Female non-smoker | Female smoker |
|---|---|---|---|---|
| 25 | 0.000633 | 0.000721 | 0.000493 | 0.000610 |
| 35 | 0.000889 | 0.001389 | 0.001188 | 0.002020 |
| 45 | 0.001944 | 0.004185 | 0.002476 | 0.005882 |
| 55 | 0.006999 | 0.012930 | 0.006505 | 0.013120 |

No allowance was made for future deterioration in mortality, critical illness or TPD.

**Policies previously written in NPIL**

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

**(6) Expenses**

**Policies previously written in PLL but not in NPIL**

The following table shows the gross attributable expenses per policy (excluding renewal commission).

| Product Group | Per Policy Expense | |
|---|---|---|
| | Current Valuation | Previous Valuation |
| | £ | £ |
| | | |
| Term assurance (325 / 330) | 29.65 | 27.75 |
| Critical illness (340 / 345 / 350 / 355) | 114.38 | 106.95 |
| Income protection (360 / 365) | 68.35 | 63.98 |
| Income protection claims in payment (385) | n/a | n/a |
| Annuity (400) | 30.09 | 28.17 |
| UWP bond (500) | n/a | n/a |
| UWP savings endowment (510) | n/a | n/a |
| UWP regular premium pension (525) | 57.62 | 71.28 |
| UWP single premium pension (525) | 40.34 | 49.90 |
| UWP group regular premium pension (535) | n/a | n/a |
| UWP group single premium pension (535) | n/a | n/a |
| UL bond (700) | 17.17 | 16.07 |
| UL savings endowment (715) | 47.65 | 44.60 |
| UL target cash endowment (720) | 54.30 | 52.16 |
| UL regular premium pension (725) | 56.45 | 52.84 |
| UL single premium pension (725) | 39.52 | 36.99 |
| UL group regular premium pension (735) | 55.53 | 51.98 |
| UL group single premium pension (735) | 38.88 | 36.39 |

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

**Policies previously written in NPIL**

The expense bases are:

| Product Group | £ Per Policy (p.a.) | | % of Assets under Management (p.a.) | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| NPIL | | | | |
| UWP Life Bonds | 60.81 | 58.30 | n/a | n/a |
| UWP Pension Sing Prem | 72.86 | 69.86 | 0.34 | 0.40 |
| UWP Pension Reg Prem | 39.73 | 38.09 | 0.34 | 0.40 |
| UL Life Bonds | 22.60 | 21.66 | 0.33 | 0.40 |
| UL Life increments | 22.60 | 21.66 | 0.33 | 0.25 |
| UL Pension Sing Prem | 29.24 | 28.04 | 0.33 | 0.40 |
| UL Pension Reg Prem | 29.24 | 28.04 | 0.33 | 0.40 |
| UL Grp Pension Sing Prem | 29.24 | 28.04 | 0.33 | 0.40 |
| UL Grp Pension Reg Prem | 29.24 | 28.04 | 0.33 | 0.40 |
| UL Pensions increments | 29.24 | 28.04 | 0.33 | 0.25 |
| Immediate Annuities | 31.84 | 30.52 | 0.095 | 0.095 |
| PAUF | | | | |
| UL Life Reg Prem | 24.40 | 23.59 | 0.51 | 0.58 |
| UL Life Sing Prem | 24.40 | 23.59 | 0.51 | 0.58 |
| PAULP | | | | |
| UL Pension Reg Prem | 30.37 | 29.36 | 0.27 | 0.34 |
| UL Pension Sing Prem | 30.37 | 29.36 | 0.27 | 0.34 |
| Immediate Annuities (up to March 2018) | 29.79 | 28.00 | 0.095 | 0.095 |
| Immediate Annuities (after March 2018) | 53.95 | 51.17 | 0.095 | 0.095 |
| LLLA | | | | |
| Unit Linked | 47.37 | 45.8 | 0.23 | 0.30 |

The “% of Assets under Management” figures above include investment management expenses.

No tax relief is applied to any of the figures in the table above.

### (7) Unit Growth Rates

| Previous Company | Product Group | Unit growth rate before management charge | Expense inflation rate assumed | Policy charge increase rate assumed |
|---|---|---|---|---|
| | | (% p.a.) | (% p.a.) | (% p.a.) |
| **PLL but not SLUK** | Life business except for Home Ownership Plan | 3.25% | 4.55% | 4.55% |
| | Home Ownership Plan | 0.78% | 4.55% | 3.55% |
| | Pensions business | 3.40% | 4.55% | 4.55% |
| **SLUK** | Life business | 3.25% | 4.55% | 0.00% |
| | Pensions business | 3.40% | 4.55% | 0.00% |
| **Alba** | Life business | 3.25% | 4.55% | 0.00% |
| | Pensions business | 3.40% | 4.55% | 0.00% |
| **Century** | Life Funds | 3.10% | 1.50% | 4.55% |
| | Pension Funds | 3.25% | 1.50% | 4.55% |
| **BULA** | Life business | 3.25% | 4.55% | 3.55% |
| | Pensions business | 3.40% | 4.55% | 3.55% |
| **BRS** | Pension Annuities | n/a | 3.55% | n/a |
| **BA** | Pension Annuities | n/a | 4.55% | n/a |
| **NPIL** | Life business | 3.55% | 4.55% | 3.55% |
| | Pensions business | 3.70% | 4.55% | 3.55% |
| | UWP | n/a | 4.55% | 3.55% |
| | Pension Annuities | n/a | 4.00% | n/a |
| **NPIL (PAULP, PAUF, and LLLA)** | Life business | 3.55% | 3.55% | 4.55% |
| | Pensions business | 3.70% | 3.55% | 4.55% |
| | Life business | 3.40% | 4.55% | 4.55% |
| **SMA** | Pensions business | 3.60% | 4.55% | 4.55% |
| **SPL** | | | | |
| **UK** | Life business | 3.60% | 4.55% | 3.55% |
| | Pensions business | 3.75% | 4.55% | 3.55% |
| **Republic of Ireland** | Life business | 3.60% | 0.00% | 3.55% |
| | Pensions business | 3.75% | 0.00% | 3.55% |

In the case of linked contracts previously written in Alba, where there is discretion in the level at which charges are set, provision has been made for policy fees to increase according to the increases in either the Retail Price Index or the National Average Earnings Index according to the terms of the policy. No other increases to policy charges have been assumed.

### (8) Future Bonus Rates

**Policies previously written in NPIL**

All with-profits business is reinsured out, so the future bonus assumptions are not relevant. In calculating the gross and reinsurance ceded reserves the assumption is that existing unit values are accumulated at any guaranteed minimum bonus rates. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not been reached, and the additional bonus payable at each fifth policy anniversary are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the loyalty bonus units due at retirement date.

**Other**

Not applicable.

### (9) Persistency Assumptions

For products where the valuation method has not been changed following the changes to the INSPRU valuation rules at 31 December 2006, no credit has been taken for future lapses.

**Policies previously written in PLL**

| Product | | Average lapse / surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| Level term | Lapse (if margin positive) | 3.60% | 3.60% | 3.60% | 3.60% |
| Level term | Lapse (if margin negative) | 2.40% | 2.40% | 2.40% | 2.40% |
| Decreasing term | Lapse (if margin positive) | 8.40% | 8.40% | 8.40% | 8.40% |
| Decreasing term | Lapse (if margin negative) | 5.60% | 5.60% | 5.60% | 5.60% |
| Accelerated critical illness | Lapse (if margin positive) | 10.80% | 10.80% | 10.80% | 10.80% |
| Accelerated critical illness | Lapse (if margin negative) | 7.20% | 7.20% | 7.20% | 7.20% |

The reserve for an individual policy is equal to the most onerous calculation from assuming:

- A positive margin at all durations
- A negative margin at all durations
- A positive margin when the reserves are negative and a negative margin when the reserves are positive.

**Policies previously written in Alba**

The valuation makes no allowance for lapses.

**Policies previously written in BULA**

| Product | | Average lapse / surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| Level term | Lapse (if margin positive) | 7.40% | 3.60% | 3.60% | 3.60% |
| Level term | Lapse (if margin negative) | 5.00% | 2.40% | 2.40% | 2.40% |
| Decreasing term | Lapse (if margin positive) | 21.60% | 21.30% | 21.30% | 21.30% |
| Decreasing term | Lapse (if margin negative) | 14.40% | 14.20% | 14.20% | 14.20% |

The reserve for an individual policy is equal to the most onerous calculation from assuming:

- A positive margin at all durations
- A negative margin at all durations
- A positive margin when the reserves are negative and a negative margin when the reserves are positive.

**Policies previously written in BRS**

The valuation makes no allowance for lapses as all of the policies are immediate annuities.

**Policies previously written in BA**

No allowance for lapses is made in the valuation.

**Policies previously written in SMA**

| **Product** | | **Average lapse / surrender / paid-up rate for the policy years** | | | |
|---|---|---|---|---|---|
| | | **1-5** | **6-10** | **11-15** | **16-20** |
| UWP bond | Surrender | 10.0% | 10.0% | 10.0% | 10.0% |
| UWP bond | Automatic withdrawals | 5.0% | 5.0% | 5.0% | 5.0% |
| UL bond | Automatic withdrawals | 2.5% | 2.5% | 2.5% | 2.5% |

**Policies previously written in SPL**

| **Product** | | **Average lapse / surrender / paid-up rate for the policy years** | | | |
|---|---|---|---|---|---|
| | | **1-5** | **6-10** | **11-15** | **16-20** |
| Level term | Lapse | 9.5% | 6.7% | 6.0% | 6.0% |
| Decreasing term | Lapse | 11.9% | 11.2% | 11.0% | 11.0% |
| Accelerated critical illness | Lapse | 11.0% | 9.5% | 9.1% | 9.1% |
| UL bond | Automatic withdrawals | 2.0% | 2.0% | 2.0% | 2.0% |

Reserves for protection business are calculated using the lapse rates shown in the table and with lapse rates both increased and decreased by 40%. The highest reserve for each policy is taken, i.e. aggregate reserves may use a mixture of the three lapse scenarios.

**Policies previously written in NPIL**

| Product | | Average lapse/ surrender/ paid-up | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| NPIL | | | | | |
| Life | | | | | |
| • All business | Surrender | 0.00% | 0.00% | 0.00% | 0.00% |
| • All business | Automatic withdrawals | 1.00% | 1.00% | 1.00% | 1.00% |
| Pension | | | | | |
| • UWP indiv regular premium | Paid-Up | 15.00% | 15.00% | 15.00% | 15.00% |
| • UWP indiv regular premium | Surrender | 0.00% | 0.00% | 0.00% | 0.00% |
| • UWP indiv single premium | Surrender | 0.00% | 0.00% | 0.00% | 0.00% |
| • UL indiv regular premium | Paid-Up | 15.00% | 15.00% | 15.00% | 15.00% |
| • UL indiv regular premium | Surrender | 2.10% | 2.10% | 2.10% | 2.10% |
| • UL group regular premium | Paid-Up | 33.00% | 33.00% | 33.00% | 33.00% |
| • UL group regular premium | Surrender | 2.80% | 2.80% | 2.80% | 2.80% |
| • UL indiv single prem (ALIS) | Surrender | 2.90% | 2.90% | 2.90% | 2.90% |
| | | | | | |
| PAUF (all Life) | | | | | |
| UL savings endowment | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| UL target cash endowment | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| UL bond | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| UL bond | Automatic withdrawals | 2.20% | 2.20% | 2.20% | 2.20% |
| PAULP (all Pension) | | | | | |
| UL indiv regular premium | Paid-Up | 10.50% | 10.50% | 10.50% | 10.50% |
| UL indiv regular premium | Surrender | 1.50% | 1.50% | 1.50% | 1.50% |
| UL indiv single premium | Surrender | 1.00% | 1.00% | 1.00% | 1.00% |
| | | | | | |
| LLLA (all Life) | | | | | |
| UL bond | Surrender | 3.75% | 3.75% | 3.75% | 3.75% |
| UL bond | Automatic withdrawals | 0.00% | 0.00% | 0.00% | 0.00% |

**(10) Other Material Assumptions**

**Reinvestment Risk**

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

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

**Policies previously written in BRS**

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

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

**Other**

Not applicable.

## (11) Allowance for Derivatives

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

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

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

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

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

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

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

In addition to the swaps, the assets described in form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities.
Derivative contracts may be held within some of the collective investment schemes in which the unit-linked funds invest. Their market value is reflected within the unit liabilities.

## (12) Effect of Basis Changes

Not applicable. The changes in INSPRU valuation rules effective from 31 December 2006 were implemented at that time.

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

**Policies previously written in PLL**

There are no guaranteed annuity rate options with basic reserves exceeding the lesser of £10m and 1% of the total gross mathematical reserves.

**Policies previously written in SLUK**

**(a) Methods**

An additional reserve is calculated for options on the FT30 index-linked life policies. The following basis is used:

| Age | Surrender rate p.a. |
|---|---|
| Prior to age 50 | 0% |
| At exact age 50 | 10% |
| 55 | 20% |
| 60 | 40% |
| 65 | 100% |

The main assumptions used to value GAOs were:

| | |
|---|---|
| Valuation interest rate p.a. | 2.22% |
| GAO take-up rate* | 80% |
| Mortality | IMA92/IFA92 |
| Payment expense allowance | 2% |
| The uncertainty of future interest rates has been allowed for by valuing the annuity using the alternative assumptions that interest rates will be 30% lower or 30% higher than those underlying the central rate. The reserve is taken as the average of the three results. | |

**(b)**

| Product Name | Protection Plan | Escalator Plan |
|---|---|---|
| **Basic reserve** | £21.4m | £58.1m |
| **Spread of outstanding** | 0-25 years | 0-25 years |
| **Guarantee reserve** | £4m | £10.9m |
| **Guarantee annuity rate (age 65 male)** | £102.88 p.a. for £1000 cash sum for policies commencing before 1979<br>£79.88 p.a. for £1000 cash sum for policies commencing in 1979 or 1980 | £102.88 p.a. for £1000 cash sum for policies commencing before 1979<br>£79.88 p.a. for £1000 cash sum for policies commencing in 1979 or 1980 |
| **Increments** | Increments are not allowed | Increments are not allowed |
| **Frequency** | Half-yearly in arrears, 5 years guarantee period | Half-yearly in arrears, 5 years guarantee period |
| **Retirement ages** | Available on surrender at 50, 55, 60 or 65 | Available on surrender at 50, 55, 60 or 65 |

**Policies previously written in Alba**

Not applicable

**Policies previously written in Century**

**(a) Methods**

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

The main assumptions used to value GAOs were:

| | | |
|---|---|---|
| Valuation interest rate p.a. | Pre-vesting | 3.34% |
| | Post-vesting | 3.34% |
| GAO take-up rate* | | 95% |
| Mortality | | As in 4 (4) |
| Payment expense allowance | | 4% |
| * This assumes 20% of policies take 25% of their fund as cash at retirement for all oustanding durations | | |

**(b)**

| Product | Basic Reserve £m | O/S Durn Spread years | Gtee Reserve £m | GAO Rate | Incrs Yes/No | Ann. Form | Ret. Ages |
|---|---|---|---|---|---|---|---|
| Ex-NEL Gteed Growth | 10.9 | 0-20 | 9.4 | 11.11% | Yes | * | 60-75 |
| Ex-NEL Linked | 5.3 | 0-16 | 4.4 | 11.11% | Yes | * | 60-75 |
| Ex-Crown Dep Admin | 2.5 | 0-19 | 0.1 | 10.25% | Yes | * | 60-65 |
| Ex-OMLA Ex-WP | 5.6 | 0-12 | 2.9 | 8.90% | Yes | * | 55-75 |

*The GAO rates shown are for a male age 65, monthly level annuity, payable in advance with 5 year guarantee period – other options are available. For the Ex-Crown policies, the rate shown is for policies retiring during policy years 11 to 20.

In general, where policyholders may make increments to the policy, the GAO does not apply to the regular premium increases or additional single premiums.

**Policies previously written by BULA, BRS, BA and SMA**

There are no guaranteed annuity rate options.

**Policies previously written in SPL**

Guaranteed annuity rate options are included on Select Executive and Personal Retirement Plans written in the Republic of Ireland prior to October 1998. For these contracts, the non-unit liabilities were explicitly calculated allowing for the increased cost of projected benefits at the selected normal retirement date arising from the guaranteed annuity options. This increased cost was based on the ratio of the cost of £1 per annum pension on the valuation basis to that on the basis underlying the guaranteed annuity rates. The projections took account of growth on units already purchased as well as that on units due to be allocated in respect of future premiums both at the current level and resulting from any selected premium indexation. No allowance was made for either lapses or the cessation of premium indexation prior to retirement.

| Product | Basic Reserve £m | O/S Durn Spread years | Gtee Reserve £m | GAO Rate | Incrs Yes/No | Ann. Form | Ret. Ages |
|---|---|---|---|---|---|---|---|
| Select Executive & Personal Retirement Plan | 19.2 | 0-34 | 9.0 | 9.1% | Yes | * | 60-70 |

* The sample guaranteed annuity rates are provided for a male aged 65 based on single life, level annuities paid monthly in advance and guaranteed for 5 years. Policyholders may choose a different basis, e.g. with spouse's annuity, escalating payments or different payment frequency.

Where policyholders may make increments to the policy, the GAO does not apply to the regular premium increases or additional single premiums.

**Policies previously written in NPIL**

**(a) Methods**

The guaranteed annuity option reserve (which applies only to PAULP business written before 25 October 1985) 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 individual policy level and allows for the take up rate of the guarantee and the terms of the guarantee.

**(b)**

The reserve for the annuity rate guarantee reinsured into Pearl Assurance Limited has been determined in accordance with the basis set out below:

| Assumption | 2013 | 2012 |
|---|---|---|
| Surrender Rate | 2% single premium | 2% single premium |
| | 0.88% regular premium | 0.88% regular premium |
| Take up Rate | 100% | 100% |
| Rate of interest | Min (Gilts, LIBOR) | Min (Gilts, LIBOR) |

Notes:

1. CMI 2012 improvements: 2.5% up to age 75, declining to nil at age 120.

**Retirement Rates**

The following proportions of policyholders retiring at each possible retirement age have been assumed:

| Age Attained | 2013 | 2012 |
|---|---|---|
| 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% |

Note:
1. Or current age, if older

Details of the products concerned are summarised below:

| | |
|---|---|
| Product Names | Retirement Bonds, Retirement Plans |
| Product Code | 725 |
| Basic Reserve | £54.1 million |
| Spread of outstanding durations | Gradual run-off, mean term of 15.9 years |
| Guarantee Reserve | £26.7 million |
| GAR (% of fund for 65 year old male) | 10% |
| Increments Allowed? | No |
| Form of Annuity | Single life, monthly in advance, level annuity, 0, 5 or 10 year guarantee period |
| Retirement Ages | 60-75 |

### (2) Guaranteed Surrender and Unit-linked Maturity Values

**Policies previously written in PLL**

<u>Surrender Guarantees</u>

Multiple Growth Bonds: Some policies have a special minimum value on surrender (only payable in certain extreme circumstances) of 100% of premiums paid to date. It was not considered necessary to incorporate an additional reserve.

Property Growth Plan and Executive Property Growth Plan: From the fifteenth policy anniversary onwards there is the guarantee that the surrender value is not less than the sum of premiums paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Flexible Savings Plan: From the tenth policy anniversary onwards there is the guarantee that the surrender value is not less than five-sixths of premiums paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Protection Plan: This contract provides a guaranteed surrender value and contains an in-built contingency margin as the value of the units in the reserve account at the previous policy anniversary will usually exceed this surrender value. A further contingency reserve is set up in respect of the guarantee. This reserve is below the lesser of £10m and 1% of the total gross mathematical reserves limit that applies to this section.

All-Weather Bond: From the fifteenth policy anniversary onwards there is the guarantee of a cash value of at least 150% of the single premium paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

For non-linked single premium contracts to which guaranteed surrender values currently apply, the reserve was, if necessary, increased so that it is not less than the current guaranteed surrender value.

**Policies previously written in Alba, BRS, BA, SMA and SPL**

There are no guaranteed surrender and unit-linked maturity values.

**Policies previously written in Century**

The total basic reserve for guaranteed surrender and unit-linked maturity values, where an additional reserve is considered necessary, is below the lesser of £10m and 0.1% of total mathematical reserves.

**Policies previously written in BULA**

The Flexible Investment Plan (first series) contains a maturity guarantee. The contract is an endowment assurance maturing on the anniversary of the date of the contract preceding the sixty-fifth birthday of the life assured. The contract is closed to new business.

The amount payable on maturity of the contract or on earlier death of the life assured is the greater of the value of the relevant shares at the current bid price and the premiums payable over the entire term of the contract. There is an option on maturity for the contract to be continued for an indefinite period without the continued payment of premium. The amount payable at the end of the continuation is the value of the relevant shares at the current bid price. The amount payable on death during the continuation is the greater of the value of the relevant shares at the current bid price and the premiums payable over the entire term of the contract.

The unit reserves are calculated as described in section 4(1) above.

Expense reserves are determined by use of projected cashflows which allow for the guarantee and the reserves were set such that no policy would produce a future valuation strain.

| Product | Basic Reserve £m | O/S Durn Spread years | Gtee Reserve £m | Gtee Amount £m | MVA Free conditions | In Force Premiums £m | Incrs Yes/No |
|---|---|---|---|---|---|---|---|
| Flexible Investment Plan (first series) | 14.5 | 0-17 | 0.0 | 4.9 | N/A | 0.1 | No |

**Policies previously written in NPIL**

The only unit linked investment performance guarantee is that the value of units invested in any of the NPIL or LLLA Deposit funds is guaranteed not to fall. An additional provision of £0.25 million has been established for the cost of the guarantee.

There are no other guaranteed surrender or maturity unit-linked values.

**(3) Guaranteed Insurability Options**

**Policies previously written in PAL**

Some term assurance policies include options to extend the policy term or convert to other policies without requiring further evidence of health. Where there are options to convert or extend, an additional reserve is calculated as the larger of 10% of the normal term assurance reserve and 20% of the office premium except for Renewable Convertible Term Assurance. For Renewable Convertible Term Assurance this reserve is the larger of 20% of the normal reserve and 30% of the office premium. The total sum assured under the policies is less than £1bn.

The Progressive Protection Plan and Flexible Mortgage Plan include a Special Events option which allows the planholder to increase the sum assured without further underwriting on certain events such as marriage of the life assured or birth of each of the life assured's children. The cost of the options is implicitly allowed for in the normal reserve.

**Policies previously written in SLUK**

Some term assurance and critical illness policies contain conversion and renewal options. Some policies also contain guaranteed insurability options where a term assurance may be taken out at standard rates if the life survives for 12 months following a critical illness claim. Loadings are applied in the calculation of the reserve, usually as a percentage of premiums paid, to allow for the cost of these options. The total sum assured under these policies is less than £1bn.

**Policies previously written in Alba**

The reserves for guaranteed insurability options do not exceed the materiality limits.

**Policies previously written in Century**

Guaranteed insurability, continuation and conversion options are available on a number of conventional and linked products.

The provision for the options under Convertible Term Assurances and Mortgage Protection - New Series contracts was determined by accumulating the proportion of the office premium reserved for options at the appropriate valuation rates of interest.

For ex-CCL convertible term assurances, an additional reserve was held equal to the proportion of the total office premiums in respect of the conversion option paid since the inception of the contract. The premium rates for convertible term assurances are equal to those for ordinary term assurances with a 15% loading for the conversion option (10% for policies issued before March 1979).

For ex-CCL Versatile Investment Plan policies, provision has been made for the guaranteed insurability option of 0.1% of the total office premiums paid since inception.

For A-plan policies additional reserves were held equal to 3% of the sum assured discounted from the maturity date at 4.5% in respect of the guaranteed insurability option.

No provision was deemed necessary in respect of the options under the Flexible Protection Plans, Serious Illness Plans and Flexible Mortgage Plans, on the grounds that (i) there are already margins in the existing rates of monthly mortality deductions, and (ii) these, and the rates of morbidity deductions, can be increased at the Company's discretion.

No specific provision has been made in the reserves for the option under the ex-NBA Mortgage Protection contract as it is not expected, under current conditions, that any option effected will result in a loss to the Company.

No explicit provision has been made for the option under the ex-NAL Mortgage Protection Plans or Tailored Mortgage Protection to increase the sum assured. The margins in the mortality assumptions are assumed to cover any cost of the option.

In respect of certain Retirement Annuities, where the pension date and the benefits payable may be altered within the limits imposed by statute, and in respect of cash options under certain deferred annuity bonds, no specific provision has been made for the options available. Deferred annuity bonds with cash options have been valued by discounting the amounts of the cash options. No significant liability would arise if the policyholders elected to exercise the annuity options.

The total sum assured for policies with guaranteed insurability, continuation and conversion options is less than £1bn.

**Policies previously written in BULA**

A number of term assurance products have a renewability option on expiry. There are no products with conversion or renewal options where the total sum assured exceeds £1bn.

**Policies previously written in BRS, BA and SMA**

There are no guaranteed insurability options.

**Policies previously written in SPL**

UK Self Assurance contracts may contain a renewal option giving policyholders the option to renew their policies at the end of the initial term. The total sum assured under these policies is less than £1bn.

**Policies previously written in NPIL**

There are no guaranteed insurability options.

**(4) Other Guarantees and Options**

**Policies previously written in PLL**

Investment Performance Guarantees

Investment Guarantees on Deposit Administration Pension Contracts (PAL)

The Deposit Administration Pension contracts previously written by PAL have investment guarantees. The additional provision in respect of the guarantee is £2.2m. This is calculated as 15% of the base reserves for these contracts, taking into account the outstanding term of the business and the expected difference between the rate guaranteed and the rate earned on the underlying assets.

**Policies previously written in Alba**

There are no other significant guarantees or options.

**Policies previously written in Century**

Investment guarantees operate on ex-NELPEN Guaranteed Growth plans, ex-Crown plans investing in the Deposit Administration fund, and certain ex-OMLA and ex-Hiscox ex-With Profit plans. These are explicitly valued and form part of the basic reserves.

**Policies previously written in BULA**

There are no other significant guarantees or options.

**Policies previously written in BRS, BA and SPL**

There are no other guarantees or options.

**Policies previously written in SMA**

Some classes of deferred annuity have a cash option. The reserve for these policies is calculated in the same way as for cash contracts with guaranteed annuity options, as described in paragraph 5(1) for the Scottish Mutual With-Profits Fund. The value of the annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves for the guaranteed annuity option and the cash option, assuming a take-up rate for the cash option as shown below, For Individual Pension Arrangements, the take-up rate assumed for the cash option is 15% decreasing to 5% after 20 years. The vesting date is taken to be Normal Retirement Age.

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

| Deferred annuity contract | Total mathematical reserves | Mathematical reserves if no option | Reduction to mathematical reserves in respect of option |
|---|---|---|---|
| Individual Pension Arrangements | 7.8 | 8.3 | 0.5 |

**Policies previously written in NPIL**

(a) Additional provision has been made of £1.9 million for guaranteed minimum pension (GMP) guarantees in respect of transfers from contracted out schemes.

(b) A reserve has been made for guaranteeing benefits in respect of certain PAULP Personal Pension policyholders where failure to adhere to the best advice rules may have occurred.

The following method is used to determine the reserve:

(1) 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.

(2) 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 is appropriately determined from recent settlement statistics.

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

| Assumption | 2013 | 2012 |
|---|---|---|
| Real rate of interest | -0.10% p.a. | 0.05% p.a. |
| Real rate of salary inflation (including an allowance for salary progression) | 1.85% p.a. | 1.5% p.a. |
| Expense loading for annuity in payment | 11.00% | 15.0%. |
| Mortality in deferment | 79% AM/AFC00 ultimate | 79% AM/AFC00 ultimate |
| Mortality in payment | 109.2% RMV00(1)<br>106.8% RFV00(1) | 104.0% RMV00(1)<br>118.0% RFV00(1) |
| Percentage assumed married | 100% | 100% |
| Allowance for future service | Up to 14 years for those unable to rejoin their pension scheme | Up to 14 years for those unable to rejoin their pension scheme |

Notes:

1. Longevity improvements: 2.5% to age 75, reducing linearly to 0% from age 120

50% of the cost of this reserve is reinsured to Pearl Assurance Limited. The liability (net of reinsurance) is £14.6 million, including an allowance for future expenses and policies where the compensation process is yet to be completed. The basic reserve to which this additional amount applies is £215 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 twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown in the following table:

| Homogeneous risk group | Implicit allowances | Explicit allowances (investment) | Explicit allowances (other) | Non-attributable expenses | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| All Products | 0.7 | 30.8 | 45.8 | 27.2 | 104.5 |

**(2) Implicit Allowances**

Implicit allowances for expenses include the margin between the office premium and the net premium for prospectively valued contracts where the net premium method has been employed.

**(3) Form 43 Comparison**

The total amount of maintenance expenses shown in 6(1) is different from the total shown in line 14 of Form 43:

| | F43.14 | table 6(1) | Difference |
|---|---|---|---|
| **Homogeneous risk group** | **(a)<br>£m** | **(b)<br>£m** | **(b) - (a)** |
| All Products | 117.2 | 104.5 | (12.7) |
| Total | 117.2 | 104.5 | (12.7) |

Differences arise as line 14 of Form 43 includes the following items, which are not included in the maintenance fees shown in 6(1):

1. An allowance of £(11.2)m for Annual Management Charges received from the Scottish Mutual With-Profits fund and SPI With-Profits fund.
2. An allowance of £17.8m in respect of ex-NPIL business which has to remit Annual Management Charges to NPL Limited in respect of reinsurance accepted.
3. Investment performance fees paid to Ignis Asset Management Ltd over 2013 amounting to £5.6m. (Such performance fees are not provided for in the valuation because they are only payable when investment performance exceeds the benchmark.)
4. About £5m of expenses in respect of annuity business that moved to Guardian Financial Services by a Part VII transfer during 2013. (No allowance for expense in respect of this (transferred) business is needed in the Aggregate Expense Loading set out in 6(1) above.)

The expense loadings in 6(1) above will also include an additional year's inflation compared to form 43, but are based on a smaller book of business due to the run off of the closed fund. Additional areas of prudence will also exist in these loadings.

**(4) New Business Expense Overrun**

The company is closed to new business except for contractual increments which includes immediate annuities arising from vesting deferred pension policies. The agreement with the management services company specifies the expenses to be incurred and premium rates allow for the expenses to be charged. The company does not therefore expect to incur any material strain in writing new business so no additional reserve is required.

**(5) Maintenance Expense Overrun**

Expense reserves in accordance with 6(1) together with expense provisions described below are considered to be sufficient to meet the expenses likely to be incurred in the future. The agreement also includes a prudent allowance for costs that are not covered by standard fees payable under the agreement.

<u>Costs falling outside the MSAs Provision - £5.4m</u>

This provision is established as it is expected that the management service agreements will be reviewed in future to reflect changes in business practice. The provision is calculated as the capitalised value of 1% of current outsourcer fees.

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

**(6) Non-attributable expenses**

The Non Profit fund pays a fixed expense fee to PGMS in respect of all unit linked business other than (1) that originally written in Century, (2) Alba corporate business, (3) that originally written in SMA, (4) that originally written in SPL and (5) that originally written in NPIL. The run-off of fees was projected as at 1 January 2009 and was based on the per policy fees agreed to be paid to PGMS allowing for future inflation. The present value of all future fees remains the same on a best estimate basis. The total fee is assumed to inflate at RPIX+1% per annum and will be adjusted for the movement in RPIX at each November. If for any year the percentage change in RPIX+1% is negative, the fee will not be inflated.

The sterling reserve for the business covered by this agreement is calculated in the following manner:

- Calculate the individual policy sterling reserves using the standard models with per policy expenses set to zero. These expenses are the fees payable to PGMS with a loading for direct costs and any Peak 1 margin.
- The total (unit plus sterling) reserve held in respect of each individual unit linked policy is increased if necessary to ensure it is at least equal to the current surrender value. This step is no different from the method used in previous valuations.
- Calculate the value of the expenses that have been removed from the standard models. The value is calculated using Peak 1 assumptions for discount rates, RPI inflation and tax applicable to this unit linked business.
- Calculate the value of the spare charges that arise within the models because of the criteria that individual policy reserves are at least equal to the current surrender value. This is the difference between sterling reserves on this basis and on the basis that there is no floor to the negative sterling reserves.
- Offset the value of the spare charges against the value of the expenses.
- The total reserve held in respect of unit linked business is the unit liability, plus the individual policy sterling reserves, plus any excess of the value of expenses over value of spare charges.

The total sterling reserve for this business is £35.9m. This also covers mortality and morbidity risk. The present value of the future expense payments to PGMS is £259.7m.

For business originally written in NPIL the reserve for non-attributable expenses was determined by expressing a prudent estimate of future non-attributable expenses as a percentage of funds under management for each homogeneous risk group and testing, for each homogenous risk group, that:

- if negative reserves were permitted, and
- the non-unit reserve with allowance for non-attributable expenses for each homogeneous risk group was negative;

and therefore the non-attributable expenses need not be explicitly allowed for in setting the reserves for that homogeneous risk group.

Accordingly, except for LLLA business (for which investment management expenses were increased by 10% in the calculation of non unit reserves), the reserve for non-attributable expenses for each homogenous risk group in the table in 6(1) above is nil.

The Non Profit fund pays investment expenses and an additional services fee in return for the management of assets. An expense reserve of £22.0m has been set up for the additional services fee which is non-attributable. This reserve has been calculated as the current level of additional services fee multiplied by a capitalisation factor.

Other non-attributable expense reserves are for TCF (£2.0m), other costs falling outside MSAs (£5.4m), other direct costs and business retention activity (£0.8m) and allowance for extra unmodelled per policy expense payable to Percana from 2011-15 (£1.2m).

# 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

| Currency | Mathematical Reserves m | Backed by assets in same currency m | Backed by assets in other currency m | Mismatching Percentage % |
|---|---|---|---|---|
| Sterling (£) | 4,665.2 | 4,665.2 | 0.0 | 0.0 |
| Euro (€) | 354.8 | 354.8 | 0.0 | 0.0 |
| Other currencies | 3.0 | 3.0 | 0.0 | 0.0 |
| Total | 5,023.0 | 5,023.0 | 0.0 | 0.0 |

In addition, there is a reinsurer deposit back allowance of £378.5m in line 23 of Form 14. Liabilities for this arrangement are equal to assets and all liabilities and assets are Sterling denominated.

### (2) Other Currency Exposures

The proportion of the liabilities in “other currencies” which is matched by assets in the same currency is 100%.

### (3) Currency Mismatching Reserve

For all currency denominations of liability there are matching assets denominated in the same currency.

Currency swaps are held to negate the effect of exchange rate movements. The size, currency and term of assets in respect of the Non Profit Fund are reviewed regularly. There is therefore minimal currency risk and so no additional currency mismatching reserve is required.

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

Not applicable.

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

Not applicable.

### (6) Resilience Capital Requirement

Not applicable.

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

No further reserve is required in respect of INSPRU 1.1.34(2)(R).

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

In view of this, no additional reserves for cashflow mismatching are regarded as appropriate.

## 8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m or 0.1% of the total mathematical reserves are as follows:

| Description | Gross Reserve | Reassurance | Net Reserve |
|---|---|---|---|
| | £m | £m | £m |
| Data Contingency Provision | 34.7 | 0.0 | 34.7 |
| Non-modelled Investment Fees | 25.1 | 0.0 | 25.1 |
| PGMS Risk Transfer Payment Provision | 24.2 | 0.0 | 24.2 |
| Future Projects Provision | 21.0 | 0.0 | 21.0 |
| Litigation Provision | 20.8 | 0.0 | 20.8 |
| Provision for reasonably forseeable adverse variations | 20.6 | 0.0 | 20.6 |
| VAT Provision | 18.0 | 0.0 | 18.0 |
| Modelling Transition Provision | -37.2 | 0.0 | -37.2 |

Data Contingency Provision

Data contingency reserves for additional expenses which may arise in connection with data errors affecting the long-term business.

Non-modelled Investment Fees

This provision is held to cover additional investment fees which are presently not modelled within the standard valuation systems.

PGMS Risk Transfer Payment Provision

As a result of the transfer of outsourcer work from UISL to Diligenta there is a change in expenses payable from the Life companies to PGMS for the administration of business. This includes a change to administration expenses and a sum paid across to PGMS for the transfer of various risks and for various project implementation costs. A reserve has been set up to cover the costs of the payment for transfer of risks.

Future Projects Provision

This provision is held to cover additional expenses which may arise in connection with unanticipated projects with no or little financial benefit and is calculated having regard to past experience.

Litigation Provision

Reserves are held for future litigation settlements and similar costs.

Provision for reasonably forseeable adverse variations

This provision is for “shared reversion” assets refinanced to a subsidiary of Santander UK plc (formerly Abbey National Group plc) (“Santander”). PLL Limited has undertaken to indemnify Santander against losses arising from mortality or surrender experience which differs from the basis used to determine the terms of the refinancing. PLL is also liable for the first 7% of any underperformance relative to the regional Halifax house price indices on property sales. The best estimate mortality basis has changed since the refinancing began, and so an accounting provision is first calculated using surrender and mortality assumptions which are intended to be slightly more prudent than the best estimate assumptions. The amount of this accounting provision is £15.3 million.

The provision is then recalculated using the regulatory valuation assumptions together with a more prudent (higher) projection rate and greater assumed underperformance compared with the Halifax regional price index. The difference between the recalculated provision and the accounting provision described above is shown in Form 14 as a provision for reasonably foreseeable adverse deviation. The amount of this additional provision is £5.3 million.

VAT Provision

This provision covers the risk that VAT is applied to future charges made by external outsourcers. The provision is calculated as the present value of these potential future amounts.

Modelling Transition Provision

As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

## 9. REINSURANCE

**(1) Facultative Reinsurance**

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

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

**(2) Reinsurance Treaties**

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

**For Policies previously written in PLL**

**(d) Swiss Life Insurance and Pension Company**

(e) A block of single premium compulsory purchase annuity contracts are reinsured on original terms.

(f) No premiums were payable by the company under the treaty during the year.

(g) There are no deposit back arrangements.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £16.1m.

(k) As (e)

(l) The reinsurer is authorised to carry on insurance business in the UK.

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

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

| | |
|---|---|
| **(d)** | **UNUM Provident** |
| (e) | Claims resulting from Group PHI contracts are 100% reinsured |
| (f) | No premiums were payable by the company under the treaty during the year. |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is open to new business. |
| (i) | There are no undischarged obligations |
| (j) | The amount of mathematical reserves ceded under the treaty at the valuation date was £92.8m. |
| (k) | As (e) |
| (l) | The reinsurer is authorised to carry on insurance business in the UK. |
| (m) | The reinsurer is not a connected company of the insurer. |
| (n) | The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place. |

| | |
|---|---|
| **(d)** | **Swiss Re** |
| (e) | Group PHI, excluding schemes written under multinational pooling, is reinsured on a 50% quota share basis with a maximum retention on any one life of £75,000 p.a. All individual claim benefits greater than the maximum retention are 100% reinsured with Swiss Re. |
| (f) | See Note 3 |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is closed to new business. |
| (i) | There are no undischarged obligations |
| (j) | The amount of mathematical reserves ceded under the treaty at the valuation date was £19.4m. |
| (k) | As (e) |
| (l) | The reinsurer is authorised to carry on insurance business in the UK. |
| (m) | The reinsurer is not a connected company of the insurer. |
| (n) | There are no material contingencies, such as credit risk or legal risk to which the treaties are subject. |

| | |
|---|---|
| **(d)** | **Swiss Re** |
| (e) | PHI policies are reinsured on a 50% quota share basis with a maximum retention of £25,000p.a. |
| (f) | See Note 3 |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is closed to new business. |
| (i) | There are no undischarged obligations |
| (j) | See Note 1 |
| (k) | As (e) |
| (l) | The reinsurer is authorised to carry on insurance business in the UK. |
| (m) | The reinsurer is not a connected company of the insurer. |
| (n) | There are no material contingencies, such as credit risk or legal risk to which the treaties are subject. |

**(d)** **Swiss Re**
(e) Term, Term & TPD and waiver of premium policies are reinsured on a 90% quota share basis with a maximum retention of £50,000 / £300 p.a. (or $75,000 / $450 p.a.). Advance commission is also provided.
(f) See Note 3
(g) There are no deposit back arrangements.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations
(j) See Note 2
(k) As (e)
(l) The reinsurer is authorised to carry on insurance business in the UK.
(m) The reinsurer is not a connected company of the insurer.
(n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

**(d)** **Swiss Re**
(e) Certain Critical illness, TPD and Term & CI policies are reinsured on an 85% quota share basis with a maximum retention of £50,000. The business covered is the same as the treaty with Gen Re and Kolnische Ruck described below. Certain other policies of the same types are reinsured on a 90% quota share basis with a maximum retention of £50,000, and for these policies. Advance commission is also provided.
(f) See Note 3
(g) There are no deposit back arrangements.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations
(j) See Note 2
(k) As (e)
(l) The reinsurer is authorised to carry on insurance business in the UK.
(m) The reinsurer is not a connected company of the insurer.
(n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

**(d)** **Swiss Re**
(e) The treaty covers PHI reinsurance business accepted by the company. Where the PHI reinsurance exceeds £25,000p.a. the excess is reinsured.
(f) See Note 3
(g) There are no deposit back arrangements.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations
(j) See Note 1
(k) As (e)
(l) The reinsurer is authorised to carry on insurance business in the UK.
(m) The reinsurer is not a connected company of the insurer.
(n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

| | |
|---|---|
| **(d)** | **Munich Re** |
| (e) | Term and Term & TPD policies are reinsured on a 90% quota share basis with a maximum retention of £50,000 (or $75,000). Advance commission is also provided. |
| (f) | The premiums payable by the company under the treaty during the year were £7.2m. |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is closed to new business. |
| (i) | There are no undischarged obligations |
| (j) | See Note 2 |
| (k) | As (e) |
| (l) | The reinsurer is authorised to carry on insurance business in the UK. |
| (m) | The reinsurer is not a connected company of the insurer. |
| (n) | There are no material contingencies, such as credit risk or legal risk to which the treaties are subject. |

| | |
|---|---|
| **(d)** | **Gen Re. And Kolnische Ruck** |
| (e) | Critical Illness, TPD and Term CI policies are reinsured on a 75% quota share basis (90% prior to 7 July 2003) with a maximum retention of £100,000 (£50,000) prior to 7 July 2003). Advance commission was also provided until 26th January 2003. The treaty is a co-reinsurance arrangement, 5% of the reinsured business being underwritten by Gen Re and 95% by Kolnische Ruck. |
| (f) | The premiums payable by the company under the treaty during the year were £7.3m. |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is closed to new business. |
| (i) | There are no undischarged obligations |
| (j) | See Note 2 |
| (k) | As (e) |
| (l) | The reinsurer is authorised to carry on insurance business in the UK. |
| (m) | The reinsurer is not a connected company of the insurer. |
| (n) | There are no material contingencies, such as credit risk or legal risk to which the treaties are subject. |

| | |
|---|---|
| **(d)** | **Swiss Re** |
| (e) | PHI policies are reinsured on an 85% quota share basis with a maximum retention of £25,000pa. With effect from 1 January 2003, reinsurance is on a risk premium basis. |
| (f) | See Note 3 |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is closed to new business. |
| (i) | There are no undischarged obligations |
| (j) | See Note 1 |
| (k) | As (e) |
| (l) | The reinsurer is authorised to carry on insurance business in the UK. |
| (m) | The reinsurer is not a connected company of the insurer. |
| (n) | There are no material contingencies, such as credit risk or legal risk to which the treaties are subject. |

**(d)** **Legal and General**

(e) A 50% quota share of Fair Share Whole Life business written between 1.9.74 and 30.9.80.

(f) The premiums payable by the company under the treaty during the year were £0.1m.

(g) £ nil

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £10.7m.

(k) The treaty is a 50% quota share arrangement.

(l) The reinsurer is authorised to carry on insurance business in the UK.

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

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

(o) Under each treaty consideration has been given to the overall position in the event of contracts lapsing. Where the commission refund due to the reinsurer is proportionate to the commission refund due to the company on the original contract, then taking into account the reserves released on the retained benefits, and the refunds of commission expected to be received by the company in respect of the original contracts, it has not been considered necessary to hold any additional reserve. Where the commission refund due to the reinsurer is more than an amount proportionate to the commission refund due to the company on the original contract, then a reserve has been set up to cover the expected shortfall.

(p) There are no financing reassurance treaties.

Note 1 The total reserves ceded in respect of treaties covering individual PHI business previously written by SLUK are £23.5m.

Note 2 The total reserves ceded in respect of treaties covering TA, CI and TPD business previously written by SLUK are £34.2m.

Note 3 The total premiums payable by the company during the year in respect of treaties with Swiss Re were £12.9m in respect of business previously written by PLL.

**For Policies previously written in Alba and BULA**

Not applicable

**For Policies previously written in Century**

**(d)** **XL Re**
(e) 100% of the benefits under the company's ex-OMLA non linked immediate annuity business that was in force at the end of 16 December 1999.
(f) No premiums were payable by the company under the treaty during the year.
(g) There is no deposit back arrangement
(h) The treaty is closed to new business.
(i) There are no undischarged obligations
(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £310.2m.
(k) As (e)

(l) XL Re is not authorised to carry on insurance business in the United Kingdom
(m) The reinsurer is not a connected company of the insurer.
(n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
(o) No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.
(p) This is not a financing reassurance treaty

**For policies previously written in BA**

**(d)** **SCOR Global Life Reinsurance UK Limited**
(e) The treaty covers mortality and critical illness benefits on a quota share basis.
(f) The premiums payable by the company under the treaty during the year were £1.0m.
(g) There are no deposit back arrangements
(h) The treaty is closed to new business.
(i) There are no undischarged obligations
(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £1.4m.
(k) The insurer retains 10% of the risk.

(l) SCOR Global Life Reinsurance UK Limited is authorised to carry on insurance business in the United Kingdom
(m) The reinsurer is not a connected company of the insurer.
(n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
(o) There is no reinsurance commission payable under the contract.
(p) This is not a financing reassurance treaty

**For policies previously written in SMA**

**(d)** **Munich Re**

(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement.

(f) Premiums of £32.6m were payable by the company under this treaty during the year.

(g) There are no deposit back arrangements.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £362.3m.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK.

(m) The reinsurer is not connected to the company.

(n) Loss mitigation exists because this is a longevity swap arrangement under which the insurer has offsetting liabilities to pay reinsurance premiums valued at £378.5m.

(o) No commission is payable on the reinsurance premium.

(p) This is not a financing reassurance treaty.

**For policies previously written in SPL**

**(d)** **XL Re Ltd**

(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement.

(f) No premiums were paid by the company under this treaty during the year.

(g) There are no deposit back arrangements.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £391.0m.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK.

(m) The reinsurer is not connected to the company.

(n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.

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

(p) This is not a financing reassurance treaty.

**(d)** **Swiss Re**

(e) The treaty covers mortality, accelerated critical illness and stand-alone critical illness under Self Assurance contract on a quota share basis.

(f) Premiums of £5.1m were paid by the company under this treaty during the year.

(g) There are no deposit back arrangements.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £38.1m.

(k) There is no retention under the treaty.

(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 provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.

(p) This is not a financing reassurance treaty.

| | |
|---|---|
| **(d)** | **Munich Re** |
| (e) | The treaty covers UK Self Assurance Lifetime and Long Term Care business, certain UK pensions term assurances and UK Flexible Mortgage Plan with attaching critical illness cover on a risk premium, individual surplus basis. |
| (f) | Premiums of £3.7m were paid by the company under this treaty during the year. |
| (g) | There are no deposit back arrangements. |
| (h) | The treaty is closed to new business. |
| (i) | There are no undischarged obligations. |
| (j) | The amount of mathematical reserves ceded under the treaty at the valuation date was £0.1m. |
| (k) | There is no retention under the treaty. |
| (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 provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract. |
| (p) | This is not a financing reassurance treaty. |

**For policies previously written in BRS**

| | |
|---|---|
| **(d)** | **Hanover Rückversicherung AG** |
| (e) | The treaties provide stop loss mortality cover for a proportion of the business reinsured. |
| (f) | No premiums are payable in respect of the treaties. A repayment of the financing advance of £2.6m was made during the year. |
| (g) | There is no deposit back arrangement |
| (h) | The treaty is closed to new business. |
| (i) | The amount of undischarged obligations of the insurer is £6.1m : |

| **Treaty** | **Undischarged obligation £m** |
|---|---|
| 2000 | 0.7 |
| 2001 | 2.5 |
| 2002 | 2.9 |
| 2003 | 0.0 |

(j) The amount of mathematical reserves ceded under the treaties at the valuation date was £67.9m.

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

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

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

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

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

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

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

**For policies previously written in NPIL**

For the material treaty reinsurances in force at the valuation date as summarised in the table below:

(g) There is no deposit back arrangement
(i) There are no undischarged obligations.
(k) There is no retention under the treaty.

| (d) Reinsurer | (e) Nature and Extent of the Cover | (f) Premium | (h) Closed to New Business? | (j) Mathematical Reserves Ceded |
|---|---|---|---|---|
| | | £m | | £m |
| Phoenix Life Assurance Ltd | NPIL Life unitised with profit fully reinsured on original terms except for MVRs on Portfolio Bond 1 switches from unitised with profit to unit-linked | Nil | Yes | 71.8 |
| Phoenix Life Assurance Ltd | NPIL Pensions unitised with-profit and capital account fully reinsured on original terms | 0.0 | Yes | 57.6 |
| Phoenix Life Assurance | PAULP Personal Pensions Guarantees | Nil | No | 14.9 |
| Phoenix Life Assurance | PAULP Guaranteed Annuity Rates | Nil | No | 26.7 |

(l) The reinsurer is authorised to transact business in the UK.
(m) The reinsurer is part of the Phoenix Group of companies.
(n) There are no material contingencies, such as credit risk or legal
(o) No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.
(p) This is not a financing reassurance treaty.

## 10. REVERSIONARY (OR ANNUAL) BONUS

**For policies previously written in NPIL**

The following table sets out the annual bonus rates for each class of business:

| Bonus Series | 31-Dec-13 | 31-Dec-13 | 31-Dec-12 | 31-Dec-12 | Product Code |
|---|---|---|---|---|---|
| | Basic mathematical reserve | Reversionary bonus | Reversionary bonus | Total guaranteed bonus | |
| | £m | % | % | % | |
| WP09L, WP10L<br>(Portfolio Bond 1b & 2) | 5.4 | 1.00% | 1.00% | - | 500 |
| WP11L EWP1L Series 1 (Investment Bond) | 66.3 | 1.00% | 1.00% | - | 500 |
| WP05P, CA05P, EWP1P Series 2<br>(PPP (Series 2), Flexible PPP FSAVC, FIP, FIP (nil bid-offer spread version), PRA and PTP) | 16.6 | 1.50%(1)<br>9.25%(2) | 1.50%(1)<br>9.25%(2) | - | 525, 570 |
| WP07P, CA07P, EWP1P Series 4<br>(FIP and Flexible PPP (AMC only versions)) | 0.2 | 1.76%(1)<br>9.53%(2) | 1.76%(1)<br>9.53%(2) | - | 525, 570 |
| WP06P, CA06P, EWP1P Series 3<br>(New Approach PPP, FSAVC and EPP) | 0.8 | 2.37%(1)<br>10.19%(2) | 2.37%(1)<br>10.19%(2) | - | 525 |
| Funds 19, 20 and 35 (with underlying AMC of 1%)<br>(GMP, VGPP, GAVC and TTP) | 40.1 | 1.50%(1)<br>9.25%(2) | 1.50%(1)<br>9.25%(2) | - | 535 |

Notes:

1. Bonus rates suffixed with (1) applied to units invested in the unitised with-profit account (e.g. WP05P) and the socially responsible with-profit account (e.g. EWP1P) where applicable.
2. Bonus rates suffixed by (2) applied to units invested in the unitised capital account (e.g. CA05P).
3. All bonus rates are the compound increases in unit price during the year.

4. For GMP, VGPPP, GAVC, TTP, and PTP unitised with-profit accounts and capital accounts with other rates of underlying annual management charge (AMC), the bonus rate was determined by the following formulae:

   (1.015 / 0.99) x (1 – a) – 1 for unitised with-profit accounts
   (1.0925 / 0.99) x (1 – a) – 1 for capital accounts

   where “a” was the level of AMC and the result was rounded to a percentage with two decimal places.

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.

**Other**

Not applicable

# APPENDIX 9.4A

# PHOENIX LIFE LIMITED

## Abstract of Valuation Report for Realistic Valuation

## 1. INTRODUCTION

### (1) Valuation Date

The valuation date is 31 December 2013.

### (2) Previous Valuation

The previous valuation date was 31 December 2012.

### (3) Interim Valuations

An interim valuation was carried out on 30 June 2013.

# 90% With-Profits Fund

On 1 January 2009 the ex-SLUK Life Unitised With-Profits pensions business that was in the 100% With-Profits Fund was transferred into this Fund. Any changes in respect of this block of business since the previous valuation are included in the sections below.

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

The economic assumptions used to calculate the value of future profits on non-profit business are as follows:

| | Current Valuation | Previous Valuation |
|---|---|---|
| Fixed Interest Investment return | 3.55% | 2.42% |
| Risk discount rate | 3.55% | 2.42% |
| RPI Inflation | 3.55% | 2.88% |
| Expense inflation | 4.55% | 3.88% |

### (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 – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

# 3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

## (1) Calculation Of With-Profits Benefits Reserve

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| SLUK Industrial Branch business conventional WL and EA | Prospective | 15.5 | 5.2 |
| SLUK Ordinary Branch business conventional WL and EA | Retrospective | 27.1 | 8.1 |
| SLUK Ordinary Branch business | Retrospective | 41.5 | 8.1 |
| BULA conventional life business | Retrospective | 8.3 | 3.1 |
| BULA pension contracts with guaranteed annuity rate option | Retrospective | 0.5 | 1.4 |
| Other | | | (2.2) |
| Total | | 92.8 | 23.7 |
| Form 19 Line 31 | | 92.8 | |
| Form 19 Line 49 | | | 23.7 |

## (2) Correspondence With Form 19

The above totals reconcile to lines 31 and 49 of Form 19.

## (3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable as all products have been disclosed.

## (4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, contracts with and without guaranteed annuity options are identified separately.

# 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

## (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

## (2) Significant Changes To Valuation Method

(a) Following an investigation carried out during 2013, the fund now assumes that a large number of in force whole of life policies at each age will never result in a claim as death has already occurred and no claim has been made or future claims will not be made. At this valuation the fund has applied write-off factors to allow for this and reserves have been released as a result. There have been no other significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

## (3) Expense Allocation

For each with-profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

The expenses charged to the with-profits fund are fixed amounts per policy inforce, inflating each year and / or an amount per premium received plus investment expenses. Additional expenses may be charged for any additional project or enhanced services provided to the with-profits fund.

(a) The previous expense investigation was carried out in respect of the financial year ended 31 December 2012.

(b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.

(c) The expenses charged to the with-profits benefits reserve are the amounts per policy and / or per premium and for some business the investment expenses.

The expenses charged to with-profits fund in addition to those allocated to the with-profits benefits reserve comprise:

- additional project and one-off costs not charged to asset shares;
- expenses in respect of with-profits policies that were in force at the previous financial year end and no longer in force at the current financial year end;
- expenses in respect of non-profit policies;
- investment expenses not charged to asset shares;
- prior year adjustments; and
- Balance between aggregation of the amounts charged to assets shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with-profits benefits reserve and the residual balances charged to the with-profits fund during the financial year were:

| Item | £m |
|---|---|
| Initial Expenses | Nil |
| Maintenance Expenses | 0.52 |
| Method | Average expense charge deducted |
| Expenses charged other than to with-profits benefits reserve | 0.01 |

## (4) Significant Charges

Charges for cost of guarantees, cost of capital are not charged to with-profits benefit reserves.

## (5) Charges For Non-Insurance Risk

No charges were deducted from the with-profits funds for non-insurance risk.

## (6) Ratio Of Claims To Reserves

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with profits benefits reserves in respect of those claims, for the three preceding financial years is:

| Year | SLUK CWP | SLUK UWP | BULA |
|---|---|---|---|
| Previous year -1 | 108% | 108% | 101% |
| Previous year | 104% | 104% | 104% |
| Current year | 107% | 107% | 107% |

## (7) Allocated Return

The investment return before tax and expenses allocated to the with-profits benefit reserve in respect of the financial year in question is:

| Type of business | Investment Return |
|---|---|
| SLUK IB | 6.66% |
| SLUK OB CWP | 8.99% |
| SLUK OB UWP | 8.99% |
| BULA | 3.50% |

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

A prospective method has been used for ex SLUK Industrial branch with-profits whole life business.

Bonus rates on with-profits whole life business are the same as the bonus rates on endowments for the same term. A bonus reserve valuation is used to determine the with-profits benefits reserve, where:

- The bonus rates are the supportable bonus rates determined from the relevant product, and
- The economic assumptions are consistent with the supportable bonus rates

The assumptions underlying this method are as follows:

| | **Ex SLUK IB excl Pioneer Mutual and Stamford** | **Pioneer Mutual with cash bonuses** | **Stamford with cash bonuses** |
|---|---|---|---|
| Discount Rate p.a. | 3.55% | 3.55% | 3.55% |
| Investment Return p.a. | | | |
| Fixed Interest | 3.55% | 3.55% | 3.55% |
| Equities | 3.55% | 3.55% | 3.55% |
| **Expense Assumptions** | | | |
| Investment Expense p.a. | 0.08% | 0.08% | 0.08% |
| Per policy Expenses | | | |
| Per Annum | £0.38 | £0.38 | £0.38 |
| Per Premium | 30% | 30% | 30% |
| Expense Inflation p.a. | 4.55% | 4.55% | 4.55% |
| **Bonus Assumptions** | | | |
| **Reversionary Bonuses** | | | |
| On Basic Sum Assured | 10.50% | 15.00% | 5.25% |

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

There are no lapses.

<u>Expenses</u>

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. Compared to the MSA at previous valuations the new service fees are higher and the new MSA uplift in the fee inflation is lower. In addition the new service fees incorporate the cost of several additional services that were previously paid to UISL on a fixed charge basis.

The new MSA specifies fee inflation to be RPIX + 1.0% at 1 January each year.

### (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 etc.

| | Cost of Guarantees & Options | Smoothing Cost | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|---|
| SLUK UWP | Variation of Black-Scholes formula | See Below | All business in this group | 6,510 | 6,510 |
| All other business | Stochastic model | No smoothing allowed for | All business in this group | 100,000 | 4,900 |

(a) Cost of Guarantees & Options

The costs of guarantees are determined using two models. The ex-SLUK UWP pension business is uses Black-Scholes formulae. All other business uses a stochastic model. The asset returns being generated by a proprietary model. The following items were calculated stochastically:

(i) The reserves required in addition to asset share to meet guaranteed benefits;
(ii) Future profits where amounts payable upon surrender are less than asset share.

The calculations were carried out using a risk neutral approach.

Cost of Smoothing

There is no significant cost of smoothing and this has been taken to be zero. All business has been modelled assuming future payouts of 100% of asset share.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) For each product type we split the data initially by bonus series. We then create separate model points for each combination of year of commencement and year of maturity

This grouping is aligned with the way in which we declare bonus rates on our business (our actual terminal bonus rate calculation are based on specimen policies split out in the same way i.e. product type, year of commencement and year of maturity although at quinquennial rather than annual intervals).

No significant attributes of the contracts should be lost with this low level of grouping.

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the present value of key variables as well as progression of these variables over a period of up to 40 years. The comparison includes items such as asset shares, mathematical reserves, claims outgo and premium income, split by product type as necessary. Where material discrepancies arise, these may result in grouping being revisited.

(c) Guaranteed annuity option liabilities for the ex-BULA pension contracts were calculated on a prudent deterministic basis, given the low volume of these. In addition, when calculating the cost of guarantees stochastically, the initial guaranteed sum assured has been increased to reflect the presence of the guaranteed annuity option.

The stochastic model assumes compound bonus only. The majority of the ex SLUK business participates in simple bonus only so the guarantee cost is overstated. This is not significant given the small guarantee cost overall.

## (3) Significant Changes

There have been no significant changes since the previous valuation.

## (4) Further Information On Stochastic Approach

(a) (i) The guarantees and options being valued using a full stochastic approach are described in 6(2)(a) above.

The following table gives an indication of the extent to which the guarantees are in or out of the money at the valuation date. For the various product types the with profits benefit reserve is shown along with the guaranteed sum assured plus bonuses payable on death/maturity and the sum of the difference where the guarantees are higher.

| Product type | With-profits benefit reserve (A) £m | Sum assured plus bonuses (B) £m | Sum of positive B-A |
|---|---|---|---|
| SLUK IB | 19.2 | 5.9 | 0.2 |
| SLUK OB CWP | 16.9 | 9.4 | 0.2 |
| BULA Life | 8.2 | 5.8 | 2.0 |
| BULA Pensions | 0.5 | 1.2 | 0.7 |

(ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

<u>Interest Rate</u>

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

The calibration at the valuation date was as follows:

| Term | Govt. + 10bp | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 0.51% | 0.51% | (0) |
| 2 | 0.90% | 0.90% | (0) |
| 3 | 1.31% | 1.31% | (0) |
| 4 | 1.72% | 1.71% | (0) |
| 5 | 2.08% | 2.08% | (1) |
| 7 | 2.69% | 2.69% | (0) |
| 10 | 3.32% | 3.31% | (0) |
| 15 | 3.79% | 3.79% | (0) |
| 20 | 3.92% | 3.92% | (0) |
| 25 | 3.93% | 3.93% | (0) |

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

| Term | Market Implied Volatility | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 20.00% | 23.50% | 350 |
| 2 | 20.10% | 21.70% | 160 |
| 3 | 19.40% | 20.30% | 90 |
| 4 | 18.70% | 19.30% | 60 |
| 5 | 18.10% | 18.50% | 40 |
| 7 | 16.80% | 17.20% | 40 |
| 10 | 15.50% | 15.80% | 30 |
| 15 | 14.20% | 14.10% | (10) |
| 20 | 13.50% | 12.80% | (70) |
| 25 | 13.20% | 11.90% | (130) |
| 30 | 12.70% | 11.10% | (160) |

Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The scenario generator uses a Stochastic Volatility Jump Diffusion model for UK equities and a constant volatility model for property and overseas equities.

The UK equity model was calibrated by reference to the implied volatility of FTSE 100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

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

Market

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | 20.50 | 17.10 | 14.30 | 13.20 | 13.00 |
| 3 | 20.10 | 18.40 | 17.00 | 15.80 | 15.00 |
| 5 | 21.20 | 20.00 | 18.90 | 17.80 | 16.90 |
| 9 | 23.40 | 22.40 | 21.60 | 20.90 | 20.20 |

Model

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | 19.90 | 16.90 | 14.30 | 12.00 | 10.20 |
| 3 | 19.80 | 18.60 | 17.30 | 16.10 | 15.00 |
| 5 | 20.50 | 19.50 | 18.60 | 17.70 | 16.90 |
| 9 | 22.10 | 21.50 | 20.90 | 20.40 | 20.00 |

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

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 15 | 24.37 | 23.85 | 23.38 | 22.94 | 22.55 |
| 20 | 25.55 | 25.12 | 24.74 | 24.40 | 24.09 |
| 25 | 26.32 | 26.03 | 25.77 | 25.55 | 25.35 |
| 30 | 27.02 | 26.76 | 26.52 | 26.28 | 26.07 |

Difference (Model – Market) %

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | (0.60) | (0.20) | 0.00 | (1.20) | (2.80) |
| 3 | (0.30) | 0.20 | 0.30 | 0.30 | 0.00 |
| 5 | (0.70) | (0.50) | (0.30) | (0.10) | 0.00 |
| 10 | (1.30) | (0.90) | (0.70) | (0.50) | (0.20) |

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando- Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

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

| | *Output Correlations @ Year 10* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | Equities | Property | Overseas Equities | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB | 5yr Index Linked ZCB | 15yr Index Linked ZCB |
| Cash | 1 | -0.09 | -0.08 | -0.15 | -0.76 | -0.80 | -0.56 | -0.74 | -0.24 | -0.30 |
| Equities | | 1.00 | 0.29 | 0.72 | 0.15 | 0.13 | 0.40 | 0.25 | 0.07 | 0.14 |
| Property | | | 1.00 | 0.11 | 0.08 | 0.09 | 0.17 | 0.13 | 0.07 | 0.09 |
| Overseas equities | | | | 1.00 | 0.22 | 0.17 | 0.48 | 0.30 | 0.09 | 0.16 |
| 5yr Govt ZCB | | | | | 1.00 | 0.89 | 0.77 | 0.83 | 0.36 | 0.41 |
| 15yr Govt ZCB | | | | | | 1.00 | 0.69 | 0.94 | 0.16 | 0.30 |
| 5yr Corp ZCB | | | | | | | 1.00 | 0.84 | 0.26 | 0.34 |
| 15yr Corp ZCB | | | | | | | | 1.00 | 0.15 | 0.31 |
| 5yr Index Linked ZCB | | | | | | | | | 1.00 | 0.89 |
| 15yr Index Linked ZCB | | | | | | | | | | 1.00 |

(iii) The table below is based on 1,000 scenarios:

| | | Asset type (all UK assets) | K=0.75 | | | | K=1 | | | | K=1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.08% | 3.79% | 3.93% | 3.85% | x | x | x | x | x | x | x | x |
| 1 | | Risk-free zero coupon bond | 902,301 | 572,612 | 381,699 | 266,284 | x | x | x | x | x | x | x | x |
| 2 | | FTSE All Share Index (p=1) | 64,141 | 209,167 | 313,903 | 392,673 | 161,317 | 349,138 | 480,302 | 576,480 | 517,284 | 696,197 | 855,986 | 975,564 |
| 3 | | FTSE All Share Index (p=0.8) | 59,893 | 171,503 | 235,657 | 276,608 | 151,492 | 287,679 | 363,363 | 407,101 | 490,537 | 579,823 | 656,040 | 697,341 |
| 4 | | Property (p=1) | 72,009 | 181,506 | 266,033 | 334,552 | 193,238 | 333,909 | 437,668 | 518,282 | 565,988 | 710,369 | 828,216 | 924,455 |
| 5 | | Property (p=0.8) | 66,611 | 141,185 | 187,233 | 219,511 | 181,385 | 266,645 | 316,758 | 348,977 | 540,335 | 585,516 | 619,652 | 640,066 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 19,152 | 17,093 | 15,502 | 20,738 | 89,331 | 77,203 | 90,059 | 124,126 | 499,968 | 498,785 | 507,189 | 529,071 |
| 7 | | 15 year risk free zero coupon bond (p=0.8) | 17,059 | 9,912 | 5,584 | 4,130 | 80,476 | 42,881 | 27,655 | 24,874 | 469,700 | 343,772 | 266,961 | 233,980 |
| 8 | | 15 year risk free bonds (p=1) | 22,522 | 29,186 | 37,978 | 50,469 | 98,741 | 107,095 | 125,991 | 152,823 | 498,261 | 493,451 | 505,929 | 532,134 |
| 9 | | 15 year risk free bonds (p=0.8) | 20,109 | 17,502 | 15,624 | 17,196 | 89,588 | 65,722 | 58,260 | 56,242 | 468,315 | 346,031 | 281,833 | 251,020 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 42,961 | 158,214 | 247,511 | 323,121 | 140,088 | 292,048 | 405,213 | 495,388 | 514,714 | 645,544 | 779,450 | 884,596 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 39,281 | 123,681 | 176,991 | 216,925 | 129,682 | 232,458 | 293,463 | 336,493 | 487,495 | 524,589 | 578,028 | 611,712 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1) | 29,386 | 120,017 | 194,244 | 259,764 | 112,355 | 239,591 | 335,983 | 416,409 | 500,794 | 584,681 | 693,718 | 788,609 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8) | 26,521 | 91,213 | 134,407 | 167,383 | 102,797 | 184,946 | 234,589 | 271,787 | 471,807 | 464,511 | 498,143 | 525,584 |
| 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) | 17,081 | 74,914 | 130,084 | 183,279 | 94,880 | 183,537 | 258,220 | 327,112 | 498,632 | 540,324 | 618,429 | 694,583 |
| 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) | 14,976 | 52,428 | 81,309 | 105,803 | 85,091 | 131,629 | 164,864 | 193,734 | 469,135 | 412,734 | 417,703 | 432,599 |
| | | | | | | | | | | | | | | |
| | | | L=15 | | | | L=20 | | | | L=25 | | | |
| 16 | | Receiver swaptions | 10.17% | 9.84% | 8.20% | 6.37% | 12.62% | 12.13% | 10.02% | 7.72% | 14.81% | 14.07% | 11.51% | 8.79% |

(iv) UK initial equity yield: 3.46%
UK initial property rental yield: 4.30%

(v) Not applicable – there are no significant territories other than the UK. 2.06% of the guaranteed benefit is in relation to Eire policies

(vi) The following table shows the outstanding guarantees analysed by outstanding term. The SLUK IB business is nearly all whole life and the term has been taken as the term to age 110:

| Outstanding term (years) | SLUK IB | SLUK OB CWP | BULA Life | BULA Pensions |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| 1-5 | 0.0 | 7.9 | 1.5 | 0.4 |
| 6-10 | 0.1 | 0.2 | 1.2 | 0.6 |
| 11-15 | 0.5 | 0.1 | 0.3 | 0.2 |
| 15+ | 5.3 | 1.3 | 2.8 | 2.8 |

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

(vii) Comprehensive tests are carried out on the output produced by the Barrie & Hibbert asset model as follows:

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

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

Zero coupon bond yields calculated from the model cash output have been verified to match 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 verification has been made, 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.

Verification has also been made, within acceptable limits, which implied volatilities calculated from the simulation model output reproduce the market volatility term structure for 20 year at the money swaptions.

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

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 1.4% 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, 2.1% of these prices.

(b) Not applicable

(c) Not applicable

### (5) Management Actions

(a) No scenario specific management actions are assumed to take place in the stochastic model.

### (6) Persistency Assumptions

The surrender and paid-up rates are:

| Product | | Average surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | **1-5** | **6-10** | **11-15** | **16-20** |
| CWP savings endowment | Surrender | 25.0% | 25.0% | 25.0% | 25.0% |
| CWP target cash endowment | Surrender | 3.0% | 3.0% | 3.0% | 3.0% |
| CWP pension regular premium | PUP | 0.0% | 0.0% | 0.0% | 0.0% |
| CWP pension regular premium | Surrender | 0.0% | 0.0% | 0.0% | 0.0% |
| UWP individual pension regular premium | PUP | 5.0% | 5.0% | 5.0% | 5.0% |
| UWP individual pension regular premium | Surrender | 5.0% | 5.0% | 5.0% | 5.0% |
| UWP individual pension single premium | Surrender | 5.0% | 5.0% | 5.0% | 5.0% |

### (7) Policyholders' Actions

No such assumptions were made.

## 7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

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

| | **£m** |
|---|---|
| Future shareholder transfers not deducted from asset share | 3.1 |
| Provision for future tax provision | 0.0 |
| Future shareholder transfers from planned enhancements to with-profits benefit reserve | 1.6 |
| Additional provision for tax on shareholder transfers | 0.0 |
| Future investment expenses and provisions not deducted from asset share | 0.4 |
| Future tax adjustment | (0.1) |
| | |
| Total | 5.0 |

## 9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities are taken to be the same as the regulatory current liabilities.

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities falls by 20% and real estate falls by 17.63%. The equity fall and the property fall were the more onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.60%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the more onerous scenario.

(iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in spread for bonds subject to the test, weighted by market value, was 0.97% for the fund. This change in yields resulted in a movement in the value of these bonds of (6.63)% for the fund.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 0.4%.

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

(b) (i) In the stress scenarios the following additional assumption is made:
Reversionary bonus rates will be reduced to nil in stages over the next two years.

(ii) Since there is no risk capital margin, the effect of assuming reduced reversionary bonuses is zero. Working capital is reduced by £0.0m

(iii) No changes would apply to the table in paragraph 6 (5) (b) if the management actions were taken

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

(c)

(i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.

(ii) The scheme for the funds merger as at 31 December 2008 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

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

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

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

## 12. DERIVATIVES

There are no major positions of derivative contracts held in the Fund.

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| **Opening working capital** | **0.0** |
| Write back planned benefit enhancements to zeroise working capital | 9.6 |
| **Revised opening working capital** | **9.6** |
| Opening adjustments | 12.2 |
| **Restated opening working capital** | **21.8** |
| Investment return on working capital | 0.2 |
| Mismatch profits and losses | 0.1 |
| Assumption changes | |
| - Non-economic | 0.0 |
| - Economic | 0.1 |
| - Policyholder actions | 0.0 |
| Impact of new business | 0.0 |
| Other Variances | |
| - Economic | 3.3 |
| - Non-economic | 1.5 |
| - Management actions | (13.6) |
| - New Provisions | 2.7 |
| - Unexplained | (0.0) |
| **Closing working capital before zeroisation** | **16.1** |
| Planned benefit enhancements to distribute estate | (15.6) |
| Impact of planned enhancement on future policy related liabilities | (0.5) |
| **Closing working capital** | **0.0** |

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

| £m | Current valuation | Previous valuation |
|---|---|---|
| Future shareholder transfers not deducted from asset share | 3.1 | 3.7 |
| Provision for future tax provision | 0.0 | 2.7 |
| Future shareholder transfers from planned enhancements to with-profits benefit reserve | 1.6 | 1.0 |
| Additional provision for tax on shareholder transfers | 0.0 | 0.2 |
| Future investment expenses and provisions not deducted from asset share | 0.4 | 0.4 |
| Future tax adjustment | (0.1) | (0.1) |
| Provision for IB polices aged 100 years and over | 0.0 | 0.0 |
| Total | 5.0 | 7.9 |

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

| £m | Current valuation | Previous valuation |
|---|---|---|
| Claims Oustanding | 0.0 | 0.4 |
| Provisions Taxation | 0.0 | 0.0 |
| Creditors Taxation | 0.0 | 0.4 |
| Creditors Other | 9.3 | 9.6 |
| Accruals and Deferred income | 0.0 | 0.0 |
| Total | 9.4 | 10.4 |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

## 100% With-Profits Fund

## 2. ASSETS

### (1) Economic Assumptions for Valuing Non-Profit Business

Not applicable as there is no non-profit business valued in the 100% With-Profits Fund.

### (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 BENEFITS RESERVE LIABILITIES

### (1) Calculation of With-Profits Benefits Reserve

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| Premium Paying Endowments | Retrospective | 35.0 | 9.7 |
| Paid Up Endowment | Retrospective | 3.5 | 1.0 |
| Whole Life Premium Paying | Prospective | 23.4 | 6.5 |
| Whole Life - Paid Up | Prospective | 6.9 | 1.9 |
| Other | Various | 3.2 | 0.0 |
| Total | | 72.1 | 19.1 |
| Form 19 Line 31 | | 72.1 | |
| Form 19 Line 49 | | | 19.1 |

### (2) Correspondence with Form 19

The above reconciles to lines 31 and 49 of Form 19.

### (3) With-Profits Benefits Reserves below De Minimis Limit

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

### (4) Division of Portfolio

In the table shown in section 3.(1) above, the following classes have similar bonus declaration characteristics Premium Paying Endowments:

- Paid Up Endowment

- Whole Life Premium Paying
- Whole Life - Paid Up

Other business is distinct from these classes.

## 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

### (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

### (2) Significant Changes to Valuation Method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) Not applicable.

### (3) Expense Allocation

(a) The previous expense investigation was carried out in respect of the current financial year.

(b) Expense investigations are carried out annually.

(c)

| | Item | £m |
|---|---|---|
| (i) | Initial Expenses | Nil |
| (ii) | Maintenance Expenses | 0.17 |
| (iii) | Method | Average expense charge deducted |
| (iv) | Expenses charged other than to with-profits benefits reserve | Nil |

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

Investment expenses are allowed for by deducting the fees payable to the company's investment manager for managing the assets from the investment return credited to asset shares. A rate of 0.11% p.a (net of tax) is applied to life business.

### (4) Significant Charges

No conditional estate distributions have been credited to asset shares during 2013.

There are currently no guarantee charges taken from asset shares for these funds.

### (5) Charges for Non-Insurance Risk

Not applicable.

### (6) Ratio of Claims To Reserves

Average ratio of total claims to asset shares:

| Year | Ratio of claims to asset shares (ex-Phoenix Assurance) | Ratio of claims to asset shares (ex_Swiss Life UK) |
|---|---|---|
| Previous year -1 (reported) | 603% | 100% |
| Previous year -1 (restated) * | 120% | 100% |
| Previous year | 121% | 100% |
| Current year | 125% | 100% |

* The previous year -1 (reported) value has been restated to 120% to reflect historic conditional estate distributions of 427% and 11.1% of eligible asset shares declared in 2008 and 2010 respectively.

No further estate distribution declared in 2013.

### (7) Allocated Return

Unsmoothed yields for the full year (gross of tax), applied to the with-profits benefits reserve:

| Type of business | Investment Return |
|---|---|
| Premium Paying Endowments (PAL) | 5.98% |
| Paid Up Endowment (PAL) | 5.98% |

The asset allocation for all policies was 7% property, 38% equity and 55% fixed interest.

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

The discount rate used is consistent with the investment return used in determining supportable bonus rates. Hence, the risk free rates are not directly relevant to the calculation of the prospective with-profits benefits reserves.

The rates are shown in the table below:

| | Premium Paying | Paid Up |
|---|---|---|
| Discount Rate p.a. | 3.00% | 3.00% |
| Investment Return p.a. | 3.00% | 3.00% |
| **Expense Assumptions** | | |
| Investment Expense p.a. | 0.11% | 0.11% |
| Per Policy Expenses p.a. | £69.45 | £69.45 |
| Expense Inflation p.a. | 5.55% | 5.55% |
| **Bonus Assumptions** | | |
| Reversionary Bonuses | | |
| On Basic Sum Assured | 5.00% | 5.00% |
| On Accrued Bonuses | 8.00% | 8.00% |

Future terminal bonus rates vary by duration in force at time of payment. Sample terminal bonus rates are as follows:

| Elapsed Term in Years | Terminal Bonus Rate |
|---|---|
| 10 | 493% |
| 15 | 580% |
| 20 | 778% |
| 25 | 1143% |
| 30 | 1596% |
| 35 | 2394% |
| 40 | 4729% |

There are no assumed lapse rates.

### (2) Different Sets of Assumptions

Not applicable.

## 6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING

### (1) De Minimis Limit

Not applicable.

### (2) Valuation Method Used To Calculate The Costs Of Guarantees

(a) Cost of Guarantees & Options

Not Applicable

Cost of Smoothing

There is no significant cost of smoothing and this has been taken to be zero. All business has been modelled assuming future payouts of 100% of asset share.

### (3) Significant Changes

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

### (4) Further Information On The Approach Used To Calculate The Cost Of Guarantees

Not applicable.

### (5) Management Actions

We do not assume any specific management actions take place during the projection of assets and liabilities.

### (6) Persistency Assumptions

Not applicable.

### (7) Policyholders' Actions

No such assumptions were made.

## 7. FINANCING COSTS

There are no financing arrangements.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Potential project costs | 1.9 | 0.7 |
| Total | 1.9 | 0.7 |

## 9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities are set equal to the regulatory current liabilities.

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. The equity fall and the property fall were the more onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.60%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. An increase in yields is the more onerous scenario.

(iii) The average change in spread is 1.03%. Changes in market values are:

(a) (6.70)% for bonds
(b) not applicable
(c) not applicable
(d) not applicable
(e) not applicable

(iv) Not applicable.

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

(b) (i) In the stress scenarios the following actions are assumed:

Terminal bonus rates are changed such that the revised estate is extinguished.

Furthermore, it is assumed that the previous conditional estate distributions will be clawed back amounting to £60.9m, resulting in £nil risk capital under the stresses conditions.

These actions are consistent with the PPFM and investment strategy

(ii) Under the most onerous stress the risk capital margin is reduced by £3.9m by changing the terminal bonus rates.

(iii) Not applicable.

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

(c) (i) The risk capital margin is covered by the assets of the long-term fund.

(ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

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

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

## 12. DERIVATIVES

The derivative positions of derivative contracts held in the Fund are summarised in the table below.

| Future Contract | Position | Nominal Value | Net Market Value |
|---|---|---|---|
| | | £m | £m |
| Currencies | Short<br>Long | 3.5<br>3.6 | 0.1 |
| Equity index | Short<br>Long | 0.0<br>0.0 | 0.0 |
| Fixed-interest securities | Short<br>Long | 1.6<br>0.0 | 0.0 |

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| **Opening working capital** | **0.0** |
| Write back planned benefit enhancements to zeroise working capital | 15.8 |
| **Revised opening working capital** | **15.8** |
| Opening adjustments | 0.0 |
| **Restated opening working capital** | **15.8** |
| Investment return on surplus | 1.3 |
| Mismatch profits and losses | 1.0 |
| Assumption changes | |
| - Non-economic | 0.0 |
| - Economic | 0.0 |
| - Policyholder actions | 0.0 |
| Impact of new business | 0.0 |
| Other Variances | |
| - Conditional Estate Distribution | 0.0 |
| - Claims Payment Above Asset Share | (0.8) |
| - Change in provisions | (0.3) |
| - Other traced | (1.0) |
| - Unexplained | 1.1 |
| **Closing working capital before zeroisation** | **17.1** |
| Planned benefit enhancements to distribute estate | (17.1) |
| Impact of planned enhancement on future policy related liabilities | 0.0 |
| **Closing working capital** | **0.0** |

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

| **£m** | **Current Valuation** | **Previous Valuation** |
|---|---|---|
| Potential project costs | 1.9 | 0.7 |
| Total | 1.9 | 0.7 |

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

| **£m** | **Current Valuation** | **Previous Valuation** |
|---|---|---|
| Claims outstanding | 2.0 | 1.9 |
| Deferred tax provision | 0.0 | 0.0 |
| Provisions - Other risk and charges | 0.0 | 0.0 |
| Creditors - Direct insurance business | 0.0 | 0.0 |
| Creditors taxation | 0.2 | 0.7 |
| Creditors other | 13.6 | 11.8 |
| Accruals and Deferred Income | 0.1 | 0.1 |
| Total | 16.0 | 14.5 |
| Line 51 from Form 19 | 16.0 | 14.5 |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, last year, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees. This new methodology has been used in current valuation.

# APPENDIX 9.4A

## Alba With-Profits Fund

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

The economic assumptions used to calculate the value of future profits on non-profit business are as follows:

| Economic Assumption | Current Valuation | Previous Valuation |
|---|---|---|
| Fixed Interest Investment return | 3.55% | 2.42% |
| Risk discount rate | 3.55% | 2.42% |
| RPI Inflation | 3.55% | 2.88% |
| Expense inflation | 4.55% | 3.88% |

Allowance has been made under INSPRU 1.3.39G for the illiquid nature of a proportion of the assets (namely the corporate bonds) backing the immediate non-profit annuities within the Fund. A margin of 10% has been added to cover the risk of unexpected mismatch between the assets and liabilities.

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

### (2) Amount Determined Under INSPRU 1.3.33(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 – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

# 3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

## (1) Calculation Of With-Profits Benefits Reserve

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| Unitised With-Profits 0% guarantee | On an individual policy basis the face value of units has been multiplied by a factor representing the ratio of units to asset shares calculated retrospectively for representative policies of similar duration and premium paying type (i.e. single or recurring). | 45.4 | 0.0 |
| Unitised With-Profits 4% guarantee | | 14.9 | 0.0 |
| Deposit Administration | | 92.7 | 17.7 |
| Unitised Capital Guarantee Fund | | 20.3 | 0.0 |
| With Profits Performance Fund | | 3.9 | 1.1 |
| Capsil Series H | | 1.1 | 0.3 |
| Paid up policies without guaranteed annuity options for which premium history is insufficient to calculate retrospective asset shares. | The present value of future benefits less expenses. The mathematical reserve was calculated using the published statutory basis, with the exception of the valuation interest rates which are as set out in paragraph 5 (1) below. | 51.9 | 1.1 |
| As above but with guaranteed annuity options. | | 4.6 | 1.3 |
| Other policies without guaranteed annuity options | Individual asset shares calculated using actual premiums received, fund | 169.3 | 32.2 |
| Other policies with guaranteed annuity options. | | 94.5 | 58.2 |
| Adjustments | | 2.4 | 210.1 |
| Total | | 500.8 | 322.0 |
| Form 19 Line 31 | | 500.8 | |
| Form 19 Line 49 | | | 322.0 |

In the table above, the split of the future policy related liabilities into the same detail as the with-profits benefits reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing rely on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

## (2) Correspondence With Form 19

The above totals reconcile to lines 31 and 49 of Form 19.

The adjustment consists of a £209.2m provision for future planned enhancements to With-profits benefits reserves; £0.7m of provision for guarantee costs for the £2.4m adjustment made in the With-profits benefit reserves and £0.2m for future shareholder transfers in respect of BL pre 1990 business.

## (3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable as all products have been disclosed.

## (4) Types Of Products

Alba With-profit Fund has both policies with minimum Annuity Rate Option and Non- minimum Annuity Rate Option. Their costs in respect of premium paying policies are currently of a similar order and together make-up about 35% of the overall future policy related liabilities.

# 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

## (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

## (2) Significant Changes To Valuation Method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

## (3) Expense Allocation

(a) The previous expense investigation was carried out in respect of previous financial year.

(b) Expense investigations are carried out annually.

(c) A specific investigation was carried out for this valuation.

(i) Being closed to new business, all expenses were identified as maintenance expenses.

(ii) Maintenance expenses for the with-profits business for the year to the valuation date were:

| | £m |
|---|---|
| Life - individual | 1.8 |
| Pensions - individual | 0.2 |
| Pensions - corporate | 3.1 |
| Total | 5.1 |

(iii) Expenses incurred in the year are allocated to specific classes of business, e.g. life / pensions and individual / corporate. The individual / corporate pensions split represent the business administered by Pearl Group Management Services and Capita respectively. These are then apportioned using the number of policies per category.

(iv) The following expenses were charged to non-profit business for the year to the valuation date:

| | £m |
|---|---|
| Life - individual | 1.4 |
| Pensions - individual | 4.7 |
| Pensions - corporate | 4.3 |
| Total | 10.5 |

## (4) Significant Charges

The Alba With-Profits Fund PPFM requires that the maturity payouts target 100% of asset share at maturity, after allowing for cost of guarantees, surrender profits or losses and contributions from non-profit business being charged to asset shares up to a total maximum of 10% of the asset share at maturity before any charges. UWP policies issued on or after 1 January 1994 are exempt from the guarantee annuity option costs that arose before that date.

The cumulative effect of the charges has been that for the majority of policies the assets shares have been adjusted on a basis that in aggregate broadly equates to a 10% charge.

UWP policies issued on or after 1 January 1994 charges have been lower due to the exclusion of the impact of guaranteed annuity options and in aggregate broadly equate to a cumulative 4.0% charge.

As a result of the improvement in the financial strength of the fund, a decision has been taken to accelerate distribution of the estate in order to offset these charges. With effect from July 2012 bonuses, the impact of these charges on payouts has largely been reversed.

## (5) Charges For Non-Insurance Risk

Not applicable.

## (6) Ratio Of Claims To Reserves

Average ratio of total claims to asset shares:

| Year | Ratio of claims to asset shares |
|---|---|
| Previous year -1 | 102.3% |
| Previous year | 105.5% |
| Current year | 113.1% |

## (7) Allocated Return

Unsmoothed yields for the full year (gross of tax), applied to the with-profits benefits reserve:

| | |
|---|---|
| Life policies (gross) | 5.15% |
| Pensions policies (Low guarantee) | 3.20% |
| Pensions policies (High guarantee) | -2.36% |

The asset allocation for life policies and pensions low guarantee was 20% property and 80% fixed interest. For pensions high guarantee it was 100% fixed interest.

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

(a) As described in paragraph 3 (1), the prospective method uses the mathematical reserves calculated using the published statutory basis, with the exception of valuation interest rates which are changed from the rates detailed in Appendix 9.4 paragraph 4 (2) to those set out below. These comply with the regulatory rules and hence differ from the risk free rates required by paragraph 6 (4) (a) (iii):

| | |
|---|---|
| **Life Assurance Fund** | |
| With-Profits | 2.29% |
| Non Profit | 2.66% |
| **General Annuity Fund** | |
| With-profits Deferred Annuities | 3.41% |
| Non profit Deferred Annuities | 3.55% |
| Immediate Annuities | 4.01% |
| **Pension Business Fund** | |
| New With-Profits AP Deferred Annuities | 3.20% |
| New With-Profits SP Deferred Annuities | 3.20% |
| Old With-Profits AP Deferred Annuities | 3.41% |
| Old With-Profits SP Deferred Annuities | 3.72% |
| Non Profit AP Deferred Annuities | 3.55% |
| Non Profit SP Deferred Annuities | 4.35% |
| Immediate Annuities | 4.01% |
| Laserplan | 3.72% |
| Group Pension Plan | 2.57% |
| **PHI Fund** | |
| Non-claims | 4.00% |
| Claims in Payment | 2.85% |

(b) No assumptions about investment returns or risk adjustments other than reinvestment risk were used in this prospective method.

(c) Expense inflation of 4.55% was used.

(d) No future reversionary or terminal bonuses were assumed.

(e) The following expenses were used:

| Product Type | £ |
|---|---|
| **Individual** | |
| Annuities | 58.30 |
| RP WP & Unitised WP Life | 97.17 |
| RP WP & Unitised WP Pensions | 161.95 |
| SP/PUP WP & Unitised WP | 48.58 |
| **Corporate** | |
| Buyouts | 46.70 |
| Group money purchase & Group personal plans | 86.96 |
| Group deferred annuity & Executive pension plan | 127.18 |

(f) No lapses were assumed in calculating the prospective reserves.

### (2) Different Sets Of Assumptions

Not applicable.

## 6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING

### (1) De Minimis Limit

The cost of smoothing is £0m as all benefits are based on unsmoothed asset shares.

### (2) Valuation Method For Guarantees etc.

| | Cost of Guarantees & Options | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|
| All business | Stochastic model | All business | 93,438 | 7,434 |

(a) Cost of Guarantees & Options

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

(i) Guaranteed annuity option reserves;
(ii) The reserves required in addition to asset share to meet guaranteed benefits.

The calculations were carried out using a risk neutral approach.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) Policies are grouped according to product type, premium status, year of maturity, year of entry, individual / corporate business and expense group (as per the management service agreement). For certain endowment assurance classes, policies are also grouped by premium size (in bands of <£500, £500-1000, >£1000).

For some product types, policies are grouped according to maturity date more frequently than yearly (e.g. quarterly for first 10 years and yearly thereafter). The year of entry grouping is carried out in 5 year bands.

Within each group, simple averages are taken. Gender is assumed to be that of the majority within any particular group.

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the present value of key variables as well as progression of these variables over a period of up to 40 years. The comparison includes items such as asset shares, mathematical reserves, claims outgo and premium income, split by product type as necessary. Where material discrepancies arise, these may result in grouping being revisited.

(c) No significant approximation methods were used for any residual types of products or classes.

## (3) Significant Changes

There have been no significant changes since the previous valuation.

## (4) Further Information on Stochastic Approach

(a) (i) The stochastic model is used to value the following guarantees and options:

- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts;
- Market value reduction-free spot maturity guarantees within unitised with-profits and deposit administration contracts;
- Guaranteed annuity options on conventional with-profits contracts;
- Surrender guarantees on flexible endowments.

Of these, the guarantees and options which are strongly "in the money" at the valuation date are the guaranteed annuity options and maturity guarantees on conventional with-profits pensions policies.

An indication of the extent of these guarantees is given in (vi) below.

(ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

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

The calibration at the valuation date was as follows:

| Term | Govt. + 10bp | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 0.51% | 0.51% | 0 |
| 2 | 0.90% | 0.90% | (0) |
| 3 | 1.31% | 1.31% | (0) |
| 4 | 1.72% | 1.72% | 0 |
| 5 | 2.08% | 2.09% | 0 |
| 7 | 2.69% | 2.70% | 1 |
| 10 | 3.32% | 3.33% | 2 |
| 15 | 3.79% | 3.81% | 2 |
| 20 | 3.92% | 3.93% | 1 |
| 25 | 3.93% | 3.94% | 1 |
| 30 | 3.90% | 3.91% | 0 |
| 35 | 3.86% | 3.86% | 0 |

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

| Term | Market | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 20.00% | 23.30% | 330 |
| 2 | 20.10% | 21.79% | 169 |
| 3 | 19.40% | 20.75% | 135 |
| 4 | 18.70% | 19.68% | 98 |
| 5 | 18.10% | 18.53% | 43 |
| 7 | 16.80% | 17.69% | 89 |
| 10 | 15.50% | 15.89% | 39 |
| 15 | 14.20% | 14.59% | 39 |
| 20 | 13.50% | 13.15% | (35) |
| 25 | 13.20% | 11.24% | (196) |
| 30 | 12.70% | 10.67% | (203) |

Equities

Not applicable since the Alba With-Profits Fund has zero equity exposure.

Property

Excess returns over risk free on property are modelled using a separate (but correlated) lognormal model.

Alba With-Profit Fund has approximately 13% of the total property invested in direct property and 87% in indirect property. Indirect property investments are assumed to behave as equities. As such the property volatility parameter in the ESG model is calculated as a weighted average of property and equity volatilities. A best estimate of 21.90% constant volatility has therefore been used.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando- Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

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

| | *Output Correlations @ Year 10* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash | Property | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB | 5yr Index Linked ZCB | 15yr Index Linked ZCB |
| Cash | 1.00 | (0.08) | (0.78) | (0.83) | (0.70) | (0.79) | (0.34) | (0.41) |
| Property | | 1.00 | 0.08 | 0.03 | 0.12 | 0.06 | 0.11 | 0.08 |
| 5yr Govt ZCB | | | 1.00 | 0.89 | 0.89 | 0.86 | 0.37 | 0.43 |
| 15yr Govt ZCB | | | | 1.00 | 0.79 | 0.96 | 0.22 | 0.35 |
| 5yr Corp ZCB | | | | | 1.00 | 0.88 | 0.36 | 0.41 |
| 15yr Corp ZCB | | | | | | 1.00 | 0.23 | 0.35 |
| 5yr Index Linked ZCB | | | | | | | 1.00 | 0.90 |
| 15yr Index Linked ZCB | | | | | | | | 1.00 |

(iii) The table below is based on 1,000 scenarios:

| | | **Asset type (all UK assets)** | **K=0.75** | | | | **K=1** | | | | **K=1.5** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.09% | 3.81% | 3.94% | 3.86% | x | x | x | x | x | x | x | x |
| 1 | | Risk-free zero coupon bond | 901,964 | 570,477 | 380,948 | 265,420 | x | x | x | x | x | x | x | x |
| 2 | | FTSE All Share Index (p=1) | 68,963 | 213,799 | 318,462 | 388,639 | 168,412 | 354,288 | 488,445 | 568,287 | 530,896 | 706,343 | 868,116 | 963,309 |
| 3 | | FTSE All Share Index (p=0.8) | 64,654 | 175,221 | 238,161 | 275,265 | 157,826 | 292,410 | 368,728 | 402,342 | 504,178 | 587,518 | 665,771 | 686,433 |
| 4 | | Property (p=1) | 78,089 | 176,545 | 263,745 | 328,713 | 200,005 | 334,983 | 438,712 | 512,471 | 565,075 | 721,505 | 840,566 | 917,785 |
| 5 | | Property (p=0.8) | 72,406 | 135,548 | 184,043 | 213,033 | 188,233 | 264,202 | 314,968 | 342,898 | 539,256 | 593,123 | 626,488 | 633,326 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 20,748 | 19,425 | 14,956 | 23,016 | 92,652 | 84,319 | 88,565 | 127,052 | 500,156 | 502,228 | 506,887 | 533,621 |
| 7 | | 15 year risk free zero coupon | 18,551 | 11,459 | 6,243 | 5,157 | 83,621 | 47,649 | 26,639 | 27,649 | 469,768 | 346,628 | 265,867 | 236,442 |
| 8 | | 15 year risk free bonds (p=1) | 22,711 | 27,658 | 29,454 | 48,153 | 99,184 | 106,169 | 112,728 | 152,922 | 498,372 | 499,417 | 504,195 | 538,541 |
| 9 | | 15 year risk free bonds (p=0.8) | 20,357 | 16,201 | 12,660 | 15,769 | 89,714 | 64,078 | 45,996 | 53,733 | 468,246 | 348,859 | 275,400 | 254,511 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 50,443 | 165,424 | 253,774 | 320,330 | 148,962 | 299,834 | 415,295 | 492,589 | 521,642 | 658,562 | 789,052 | 880,630 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 46,413 | 131,047 | 179,945 | 214,379 | 138,598 | 239,089 | 300,790 | 333,309 | 494,308 | 537,059 | 588,803 | 608,410 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon | 31,869 | 123,385 | 195,324 | 261,665 | 117,781 | 245,358 | 340,843 | 414,273 | 508,725 | 596,616 | 703,186 | 782,290 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon | 28,888 | 94,318 | 132,804 | 170,843 | 107,824 | 188,877 | 236,379 | 272,922 | 479,580 | 473,177 | 506,240 | 520,563 |
| 14 | | Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 | 19,062 | 76,748 | 126,603 | 182,676 | 99,243 | 187,381 | 259,702 | 323,016 | 502,527 | 549,278 | 619,952 | 688,473 |
| 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) | 16,758 | 52,768 | 77,351 | 105,875 | 89,568 | 134,558 | 162,259 | 192,644 | 472,980 | 421,140 | 419,863 | 426,462 |
| | | | | | | | | | | | | | | |
| | | | L=15 | | | | L=20 | | | | L=25 | | | |
| 16 | | Receiver swaptions | 10.73% | 10.34% | 8.22% | 6.21% | 13.32% | 12.74% | 10.05% | 7.51% | 15.64% | 14.79% | 11.54% | 8.55% |

Notes:

1. The above option prices were produced by the economic scenario generator used to calibrate the Alba With-Profits Fund stochastic model. As the Alba With-Profits Fund has no exposure to equities, rows 2 and 3 are not relevant. The prices in rows 10 – 15 show the impact of correlations between different asset classes – note that this is based on the defined asset allocations which differ from those of Alba With-Profits Fund which in particular has zero equity exposure.
2. For the purposes of this table, all bonds are zero coupon and property income is reinvested.

(iv) UK initial property rental yield: 4.30%

(v) The asset model is not calibrated to any risk-free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories.

(vi) The table below shows the outstanding durations of significant guarantees and options within material types of product and classes of with-profits contracts. The table shows the proportion of the total present value of cost of guarantees and options split by term to maturity.

| Term to maturity (years) | WP endowments | WP mortgage endowments | WP pensions funding for cash (no GAO) | WP pensions funding for annuity | WP funding for cash (with GAO) |
|---|---|---|---|---|---|
| 1-5 | 0.17% | 0.63% | 1.44% | 22.72% | 16.34% |
| 6-10 | 0.12% | 0.20% | 1.64% | 11.83% | 16.62% |
| 11-15 | 0.14% | 0.00% | 1.42% | 4.31% | 10.61% |
| 16-20 | 0.09% | 0.00% | 0.86% | 1.04% | 4.91% |
| 21-25 | 0.09% | 0.00% | 0.26% | 0.27% | 1.54% |
| 26-30 | 0.03% | 0.00% | 0.03% | 0.03% | 0.24% |

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

(vii) Comprehensive tests are carried out on the output produced by Barrie & Hibbert asset model as follows:

For UK property, 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 has been verified to be acceptably close to unity – the martingale property.

The same test has been undertaken for gilts and bonds with terms of 1, 3, 5, 10, 15, 20, 30 and 40 years. Departures from unity in the average discounted present values have not been significant.

Zero coupon bond yields calculated from the model cash output have been verified to match yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

Verification has also been made, within acceptable limits, that implied volatility calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The stochastic model is run on 1,000 investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

Reasonable convergence of the model result was validated by analysing the valuation result in 50 scenario batches in order to determine the maximum sampling error.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

(a) The contingent loan has been repaid in full, therefore there is no provision set aside in the realistic balance for repaying the contingent loan.

(b) No exposure to equities is assumed in the future and non guaranteed reversionary bonus rates are assumed to be zero throughout.

## (6) Persistency Assumptions

The surrender and paid-up assumptions are:

| **Product** | | **Average surrender / paid-up rate for the policy years** | | | |
|---|---|---|---|---|---|
| | | **1-5** | **6-10** | **11-15** | **16-20** |
| CWP savings endowment | Surrender | 2.75% | 2.75% | 2.75% | 2.75% |
| CWP target cash endowment | Surrender | 2.75% | 2.75% | 2.75% | 2.75% |
| UWP savings endowment | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| CWP pension regular premium | PUP | 0.00% | 0.00% | 0.00% | 0.00% |
| CWP pension regular premium | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| CWP pension single premium | Surrender | 0.75% | 0.75% | 0.75% | 0.75% |
| UWP individual pension regular premium | PUP | 0.00% | 0.00% | 0.00% | 0.00% |
| UWP individual pension regular premium | Surrender | 6.00% | 6.00% | 6.00% | 6.00% |
| UWP individual pension single premium | Surrender | 4.50% | 4.50% | 4.50% | 4.50% |

A take up rate of 75% for guaranteed annuity options is assumed. This is consistent with the terms of the agreement with the Britannic With-Profits Fund where any deviation from this assumption is met by that fund.

## (7) Policyholders' Actions

No such assumptions were made.

## 7. FINANCING COSTS

A contingent loan has in previous valuations been provided by the Non Profit Fund investment reserve to Alba With-Profits Fund (the borrower). The purpose was to maintain a regulatory surplus pursuant to both INSPRU 1.1.27(R) and INSPRU 1.1.28(R). The loan, if required, is subordinate to policyholders' interests insofar as repayment would not take place if treating policyholders fairly cannot be maintained.
Following improvement in the Fund's surplus for the purposes of INSPRU 1.1.27(R) and INSPRU 1.1.28(R), the contingent loan has been repaid in full.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

Line 47 of Form 19 remains as £0.2m over the year, this is for the present value of future shareholder transfers on BL pre 1990 business.

## 9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities of £591.5m consist of regulatory current liabilities consistent with Form 14 Line 49.

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin amounted to nil.

(i) No equities are held in the fund hence no equity stress was required. A fall in properties of 17.63% was assumed. A property fall was the more onerous.

(ii) A yield fall of 17.5% of the annualised 15 year gilt yield of 3.45%, i.e. 0.60% was assumed for UK fixed interest stocks. For foreign stocks the yield fall was calculated as 17.5% of the yield on 10 year government bonds of the relevant country. On average, this was 0.60%. (The foreign investments were all European apart from a small holding, £1.2m, of US Treasury bonds.) The interest rate fall was the more onerous.

(iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in spread for bonds subject to the test, weighted by market value, was 114 basis points for the fund. This change in yields resulted in a movement in the value of these bonds by an average of (7.08)% for the fund.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The impact of the persistency risk scenario is that the realistic value of liabilities increases by £11.4m or 2.28% of basic asset shares prior to any management action being taken.

(v) These were assumed to be materially independent.

(b) The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reduction in the excess assets.

(c) (i) The risk capital margin is zero.

(ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders'

Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

(i) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets.

Expenses attributed to the with-profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

(ii) In calculating the value of future policy related liabilities, tax is allowed for as follows.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees, and this allows for policyholder tax as described in (i).

(iii) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

## 12. DERIVATIVES

The fund has a portfolio of European-style receiver swaptions, to mitigate the effect that falls in interest rates have on the value of contracts written with a guaranteed annuity option. As at the valuation date, the fund held swaptions valued at £20.8m with an aggregate nominal value of £123.6m.

The option dates for swaptions range from the current year until 2038, with swap tenors of between 15 and 25 years. The majority of contracts are for a strike rate of interest of 5%. In recognition of an agreement with the Britannic With-Profits Fund (referred to in paragraph 6 (6)), the relevant policies were modelled assuming a 75% take-up rate for the option. Impact of the excess take-up rate above the 75% (if any) is met by Britannic With-Profits Fund as per paragraph 6 (6).

The fund also has a relatively small holding in Fixed Interest Futures. These had a market value of £0.8m and an aggregate nominal value of £43.2m at the valuation date.

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| **Opening working capital** | **0.0** |
| Write back provision to repay contingent loan | 55.1 |
| Write back planned benefit enhancements to zeroise working capital | 101.0 |
| **Revised opening working capital** | **156.0** |
| Opening adjustments and modelling changes | (7.1) |
| **Restated opening working capital** | **148.9** |
| Investment return on working capital | (6.6) |
| Assumption changes | |
| - Non-economic | 11.0 |
| - Economic | (7.0) |
| - Management actions | (12.5) |
| Impact of new business | 0.0 |
| Other variances | |
| - Non-economic | 2.5 |
| - Economic | 26.6 |
| - Changes in provisions | 13.6 |
| - Contingent loan increase and interest | (55.6) |
| - Unexplained | 6.0 |
| **Closing working capital before zeroisation** | **126.9** |
| Provision to repay contingent loan | 0.0 |
| Planned benefit enhancements to distribute estate | (209.2) |
| Impact of planned enhancement on future policy related liabilities | 82.3 |
| **Closing working capital** | **(0.0)** |

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Claims Outstanding – Gross | 18.4 | 20.6 |
| Claims Outstanding - Reinsurers' Share | 0.0 | (0.1) |
| Provision for Deferred Tax | 0.0 | 0.0 |
| Provisions - Other risks and charges | 0.3 | 1.2 |
| Creditors - Direct insurance business | 6.7 | 10.2 |
| Creditors - Reinsurance ceded | 3.7 | 3.8 |
| Taxation | 0.6 | 0.0 |
| Other creditors | 560.9 | 733.9 |
| Accruals and deferred income | 0.8 | 0.8 |
| **Total** | **591.5** | **770.3** |

Line 47 of Form 19 remains as £0.2m over the year, this is for the present value of future shareholder transfers on BL pre 1990 business.

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# Britannic Industrial Branch Fund

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

The following table shows the principal economic assumptions that have been used to determine the value of future profits arising from non-profit life business written in the fund.

| Economic Assumption* | Current Valuation | Previous Valuation |
|---|---|---|
| Valuation interest rate p.a. | **2.08%** | **1.88%** |
| Experience interest rate p.a. | **3.55%** | **2.42%** |
| Risk discount rate p.a. | **3.55%** | **2.42%** |
| Expense inflation p.a. | **4.55%** | **3.88%** |

*The Experience interest rate and Risk discount rate are gross of tax and are shown before deduction of investment expenses of 0.08%.

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

Not applicable.

### (3) Valuation Of Insurance Contracts Written Outside The Fund

Not applicable.

### (4) Different Sets Of Assumptions

Not applicable.

### (5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the fund.

## 3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

### (1) Calculation Of With-Profits Benefits Reserve

In determining the with-profits benefits reserve shown in Line 31 of Form 19, the company uses several methods. The methods can be summarised as:

(i) Asset Share Calculations

Asset shares are a roll-up, at historic achieved investment returns, of premiums, less expenses, charges and tax, adjusted for the profit or loss on providing death benefits and the profit or loss from contracts that terminated early.

(ii) Prospective Method

This method takes the basic policy reserve, including the long term insurance capital requirement, and deducts the present value of retained earnings. The present value of retained earnings is the present value of the surplus or deficit compared to the reserve, after taking into account all future policy-related income and outgo.

(iii) Regulatory Reserves

For some small classes of business it is not practical to apply either of the methods in (i) or (ii). In these cases the realistic reserve is taken as the regulatory reserve, excluding the long term insurance capital requirement.

The table below shows the breakdown of the with-profits benefits reserve into these methods.

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| Endowment | Asset Share | 72 | 55 |
| Whole of Life | Prospective Method | 90 | 70 |
| Miscellaneous adjustments | Regulatory Reserve | 2 | |
| Claims Pending | Regulatory Reserve | 2 | |
| Total | | 165 | 125 |
| Form 19 Line 31 | | 165 | |
| Form 19 Line 49 | | | 125 |

In the table above, the future policy related liabilities' split into the same detail as the with-profits benefits reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing relies on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

### (2) Correspondence With Form 19

The amounts in (1) above reconcile directly to Form 19.

### (3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable.

### (4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits.

## 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

### (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

### (2) Significant Changes to Valuation Method

(a) Following an investigation carried out during 2013, the fund now assumes that a large number of in force whole of life policies at each age will never result in a claim as death has already occurred and no claim has been made or future claims will not be made. At this valuation the fund has applied write-off factors to allow for this and reserves have been released as a result. There have been no other significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

## (3) Expense Allocation

For each with-profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

(a) The previous expense investigation was carried out in respect of the financial year ended 31 December 2012.

(b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.

(c) The method by which expenses are charged to the with-profits benefits reserve in respect of individual contracts depends on the type of business and the method of determining asset shares:

- Traditional with-profits business asset shares are charged expenses based on the expenses charged by the outsourcers in respect of this business. The expenses are an amount per policy which varies by product type and by premium paying status. The amount charged to asset shares is subject to an uplift to cover direct costs and an element of project costs. Additional one-off project costs are not charged to asset shares. Investment expenses are charged to asset shares by reducing the investment return allocated.

The expenses charged to asset shares are all charged as maintenance expenses as the fund is no longer actively seeking new business and, for the purposes of this expense investigation all expenses have been treated as maintenance and consequently the subsequent analysis does not identify any initial expenses.

The expenses charged to the with-profits fund in addition to those allocated to the with-profits benefits reserve comprise:

- one-off costs not charged to asset shares;
- expenses in respect of with-profits policies that were in force at the previous financial year end and no longer in force at the current financial year end;
- the expenses incurred in respect of non-profit business in the fund;
- the investment expenses reduction not charged to asset shares;
- investment expenses associated with the investments backing other with-profits reserves and the estate;
- prior year adjustments; and
- balance between aggregation of the amounts charged to assets shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with-profits benefits reserve and the residual balance charged to the fund during the financial year were:

| | **Item** | | **Expenses £m** |
|---|---|---|---|
| (i) | expenses charged to with-profits benefit reserve | traditional with-profits business | 1.8 |
| (ii) | other expenses charged to fund | other project costs | 0.4 |
| | | exiting with-profits policies | 0.2 |
| | | non-profit policies | 1.0 |
| | | investment expenses | 0.6 |
| | | prior year adjustments | 0.0 |
| | | balance | 1.6 |
| (iii) | Total expenses | | 5.6 |

### (4) Significant Charges

Charges for cost of guarantees and cost of capital are not charged to with-profits benefit reserves.

### (5) Charges For Non-Insurance Risk

No charges were deducted from this fund for non-insurance risk.

### (6) Ratio Of Claims To Reserve

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with-profits benefits reserves in respect of those claims, for the three preceding financial years is:

| Year | Average total with-profits claim ratio for financial year |
|---|---|
| Previous year -1 | **97%** |
| Previous year | **98%** |
| Current year | **97%** |

### (7) Allocated Return

The investment return before tax and expenses allocated to the with-profits benefit reserve in respect of the financial year in question is as follows:

| Type of business | Investment return |
|---|---|
| All | 6.84% |

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

Prospective methods of valuation are used in determining a proxy for an asset share calculation in respect of certain contracts. These methods are used where a retrospective asset share calculation may be inappropriate or impractical.

The prospective method was described in paragraph 3 (1) (ii).

The following table sets out the main assumptions used. There are no explicit risk adjustments made to assets.

| | | |
|---|---|---|
| **Economic Assumptions*** | | |
| Valuation interest rate p.a. | | **2.08%** |
| Experience interest rate p.a. | | **3.45%** |
| Discount rate p.a.** | | **3.55%** |
| **Expense Assumptions** | | |
| Investment Expense p.a. (net of Tax) | | **0.11%** |
| Per policy Expenses p.a. (RP) | Valuation | **£18.83** |
| | Experience | **£18.73** |
| Per policy Expenses p.a. (SP/PUP) | Valuation | **£9.15** |
| | Experience | **£9.10** |
| Expense Inflation p.a. | | **4.55%** |

* Investment rates are shown gross of the investment expenses of 0.112% (rounded to 0.11% in table) net per annum.

** This discount rate is the 15 year gilt yield + 10 basis points which is consistent with the risk free rates in paragraph 6 (4) (a) (iii) which are derived from the proprietary economic scenario generator model as described in paragraph 6 (4) (a) (ii) using the gilt yield curve + 10 basis points.

No future reversionary bonus is assumed in the projections. Sample terminal bonus rates are:

| Sample Terminal Bonus Rates - % | | | | | |
|---|---|---|---|---|---|
| | Policy Term | | | | |
| **Year of Maturity** | **5** | **10** | **15** | **20** | **25** |
| 2014 | **2.0** | **49.5** | **47.5** | **37.5** | **64.5** |
| 2019 | **0.0** | **79.0** | **55.5** | **52.5** | **44.0** |
| 2024 | **0.0** | **0.0** | **55.5** | **49.5** | **83.5** |
| 2029 | **0.0** | **0.0** | **0.0** | **49.5** | **48.0** |
| 2034 | **0.0** | **0.0** | **0.0** | **0.0** | **48.0** |

Sample lapse rates for products valued on a prospective basis, which are based on historic experience, are:

| Sample Lapse Rates - % | | | | | |
|---|---|---|---|---|---|
| | Policy Term | | | | |
| **Product Type** | **5** | **10** | **15** | **20** | **25** |
| Whole of Life | **1.0** | **1.0** | **1.0** | **1.0** | **1.0** |

### (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.

| | **Cost of Guarantees & Options** | **Smoothing Cost** | **Extent of Grouping** | **No of Individual policies** | **No of model points** |
|---|---|---|---|---|---|
| All Business | Stochastic model | Stochastic model | All business | **145,849** | **312** |

(a) Cost of Guarantees & Options

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

(i) The reserves required in addition to asset share to meet guaranteed benefits

The calculations were carried out using a risk neutral approach.

Cost of Smoothing

The cost of smoothing is determined using the same stochastic model.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) The stochastic model uses a grouped policy data file.

Policies are grouped according to product type, premium status, year of maturity, year of entry, age and premium term. All policies are assumed to be male lives.

There are separate groups for each year of maturity up to and including 11 years after the valuation date. Policies maturing from 12 to 14 years after the valuation date are grouped, as are policies maturing after that time.

The year of entry grouping is carried out in 5 year bands.

Within each group, weights are applied to certain key policy features before averaging. For example, the elapsed duration is weighted by the total of the sum assured and attaching bonuses. For other data, such as premium term, a simple average is taken.

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the key variables in the data files. The comparison includes items such as number of policies, sum assured, asset shares. Where material discrepancies arise, these may result in grouping being revisited.

## (3) Significant Changes

There were no significant changes to the valuation of guarantees, options and smoothing at the current valuation date.

## (4) Further Information On Stochastic Approach

(a) (i) The stochastic model is used to place a value on:

- Maturity guarantees on conventional endowments;
- The impact of bonus smoothing.

Allowing for the distribution of the estate to asset shares, there is no residual cost of guarantees or smoothing in the fund.

(ii) As for the Britannic With-Profits Fund (see below).

(iii) As for the Britannic With-Profits Fund (see below).

(iv) As for the Britannic With-Profits Fund (see below).

(v) The asset model is not calibrated to any risk-free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories.

(vi) Allowing for the distribution of the estate to asset shares, there is no residual cost of guarantees or smoothing in the fund.

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) for the Britannic With-Profits Fund.

(vii) Comprehensive tests are carried out on the output produced by Barrie & Hibbert asset model as described for the Britannic With-Profits Fund.

(viii) The stochastic model is run on 1,000 investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

(a) The stochastic model does not take into account the possibility of actions taken by management in the projected investment scenarios, other than to the extent described below.

<u>Bonus Policy</u>

Future reversionary bonus rates are assumed to be zero.

Maturity payouts are targeted to be 100% of asset share, subject to the company's smoothing policy. To achieve this, the model compares policies maturing in one year against similar policies maturing in the previous year and derives a scale of terminal bonus rates such that the maximum change in payout from year to year is 15%.

<u>Investment Mix</u>

The proportion of real assets (UK equities, overseas equities and property) is assumed to be 35% at the valuation date and to remain constant for all future periods.

(b) For the management actions assumed to determine the costs in paragraph 6.(4), the best estimates as to the future proportions of the asset backing the with-profits benefits reserve which would consist of equities and as the future annual bonus rates for significant accumulating with profits business are shown in the following tables. They are given as at the end of the financial year in question, in 5 years time and in 10 years time, and are based on the 15 year gilt yield plus 10 basis points of 3.55%, that yield increased by 17.5% of the long-term gilt yield, that is 4.17% and that yield decreased by 17.5% of the long-term gilt yield, that is 2.93% are shown in the following tables.

| **Yield = 3.55%** | Equity Proportion of assets backing with-profits benefits reserve | | | Future Reversionary Bonus Rate for accumulating with-profits business | | |
|---|---|---|---|---|---|---|
| Type of business | at end of financial | In 5 years time | in 10 years time | at end of financial | in 5 years time | in 10 years time |
| Traditional Business | **35%** | **35%** | **35%** | n/a | n/a | n/a |

| **Yield = 4.17%** | Equity Proportion of assets backing with-profits benefits reserve | | | Future Reversionary Bonus Rate for accumulating with-profits business | | |
|---|---|---|---|---|---|---|
| Type of business | at end of financial | In 5 years time | in 10 years time | at end of financial | in 5 years time | in 10 years time |
| Traditional Business | **35%** | **35%** | **35%** | n/a | n/a | n/a |

| **Yield = 2.93%** | Equity Proportion of assets backing with-profits benefits reserve | | | Future Reversionary Bonus Rate for accumulating with-profits business | | |
|---|---|---|---|---|---|---|
| Type of business | at end of financial | In 5 years time | in 10 years time | at end of financial | in 5 years time | in 10 years time |
| Traditional Business | **35%** | **35%** | **35%** | n/a | n/a | n/a |

### (6) Persistency Assumptions

The surrender and paid-up assumptions are:

| **Product** | | **Average surrender / paid-up rate for the policy years - %** | | | |
|---|---|---|---|---|---|
| | | **1-5** | **6-10** | **11-15** | **16-20** |
| CWP savings endowment | Surrender | **3.0** | **3.0** | **2.0** | **2.0** |

The fund has no exposure to guaranteed annuity options.

### (7) Policyholders' Actions

Not applicable.

## 7. FINANCING COSTS

There are no financing arrangements currently in place for the fund.

## 8. OTHER LONG TERM INSURANCE LIABILITIES

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

| | £m |
|---|---|
| Litigation | **0.2** |
| VAT | **0.5** |
| Pension Scheme | **0.3** |
| Costs Falling Outside MSA | **0.3** |
| Strachan Policy Review | **0.4** |
| TCF Reserve | **0.2** |
| Solvency II | **0.2** |
| Capita Regulatory Buyout | **0.4** |
| Asset Management Services | **0.3** |
| Investment Expense Rebate credited to future asset shares | **0.9** |
| **Total** | **3.8** |

## 9. REALISTIC CURRENT LIABILITIES

The realistic value of current liabilities, shown at line 51 of Form 19, is taken to be equal to the value assessed on a regulatory basis, this being £107.5m. The figure includes creditors (including outstanding claims), provisions (including taxation), accruals and deferred income.

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin for the fund was calculated to be zero at the valuation date.

(i) The risk capital margin allows for a fall in equity values of 20.0%. This was compared to a rise in equity values of the same amount and found to be more onerous for the fund.

A fall of 12.5% was allowed for in the value of property assets, and again this was found to be more onerous than a rise in property values of the same amount. Collective investment vehicles invested in property were stressed at 20%. JPUT's which form part of collective investment vehicles were stressed at 12.5% plus an allowance for gearing.

(ii) The scenario of a rise in fixed interest yields of 17.5% of the long-term gilt yield was compared against a fall in yields of the same amount. The more onerous result was assumed and represented a rise in yields. The nominal rise and fall in the (annualised) yields was 60 basis points.

There are no significant overseas territories. Overseas stocks were subjected to the same basis point adjustment as for UK stocks.

(iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in spread for bonds subject to the test, weighted by market value, was 104 basis points for the fund. This change in yields resulted in a fall in the value of these bonds by an average of 6.5% for the fund.

(iv) Persistency rates were assumed to improve by 32.5%. This was allowed for in the projections by multiplying the assumed lapse, paid-up and surrender rates at each duration by 67.5%.

Applying the persistency test on top of the tests already described in (i) to (iii) results in an increase in the value of realistic liabilities of 0.085% but this is offset by a corresponding increase in planned enhancements as described below.

(v) Not applicable

(b) The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reduction in the excess assets.

Some policies have been granted discretionary enhancements to investment returns attributed to asset shares. These enhancements will be removed if the estate of the fund is insufficient to finance them. No removal of enhancements has been assumed for the fund in the risk capital margin conditions.

(c) (i) The risk capital margin is zero.

(ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

(i) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets. For unrealised gains, a reduced rate is used in order to reflect deferral of the gain.

Expenses attributed to the with-profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

Where asset share calculations are used, the value of outstanding tax relief arising on acquisition expenses is not capitalised. This asset is reflected in Line 47 of Form 19.

Additional tax arising on shareholder transfers is met from the estate and is not chargeable to asset shares.

(ii) In calculating the value of future policy related liabilities, tax is allowed for in a number of ways.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees and smoothing, and this allows for policyholder tax as described in (i).

Additional tax on shareholder transfers, which is payable from the estate, is reflected in Line 47 of Form 19 and is derived from the stochastic model results.

The accrued amount of any tax on unrealised capital gains is included in Line 47 of Form 19. This is based on the actual unrealised gains on the valuation date multiplied by a tax rate that does not allow for deferral of the gain being realised.

Outstanding tax relief on acquisition expenses is allowed for in Line 47 of Form 19 and is based on outstanding amounts from the company's tax computation, discounted at a risk-free rate.

The tax relief from any deferred expenses from the company's tax computation is assumed to be recovered after one year, and the discounted value (at a risk-free rate) is included in Line 47 of Form 19.

In Line 47 of Form 19, adjustments are made in respect of any amounts already included as current liabilities.

(iii) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

## 12. DERIVATIVES

On the valuation date, the fund held futures contracts as described in the table below. A negative number of units held indicates that a short position is held.

**Growth Fund**

| Index | Units | Price on the valuation date (£) | Settlement Price (£) | Unit Multiple for Settlement | Settlement Date |
|---|---|---|---|---|---|
| LIFFE Long Gilt | **(61)** | **10,656** | **10,875** | **10** | **27/03/2014** |

**Matched Fund**

| Index | Units | Price on the valuation date (£) | Settlement Price (£) | Unit Multiple for Settlement | Settlement Date |
|---|---|---|---|---|---|
| LIFFE Long Gilt | **(116)** | **10,656** | **10,853** | **10** | **27/03/2014** |
| S&P 500 | **(23)** | **5,558** | **5,340** | **10** | **21/03/2014** |
| FTSE 100 | **(44)** | **6,698** | **6,438** | **10** | **21/03/2014** |
| Dow Jones Euro | **(38)** | **2,586** | **2,432** | **10** | **21/03/2014** |
| TOPIX | **(4)** | **7,560** | **7,221** | **10** | **13/03/2014** |
| SPI 200 | **(3)** | **7,181** | **6,845** | **10** | **20/03/2014** |
| MSCI Emerging Market | **(6)** | **3,070** | **2,974** | **10** | **21/03/2014** |
| HANG SENG | **(2)** | **9,085** | **8,948** | **10** | **29/01/2014** |

| Forward Currencies (Notional Amounts £000) | Long | Short |
|---|---|---|
| Growth Fund | 5,607 | 5,453 |
| Matched Fund | 3,274 | 3,219 |
| Total | 8,881 | 8,672 |

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| **Opening working capital** | **0.0** |
| Write back planned benefit enhancements to zeroise working capital | **80.5** |
| **Revised opening working capital** | **80.5** |
| Opening adjustments | **31.3** |
| **Restated opening working capital** | **111.8** |
| Investment return on working capital | 2.3 |
| Mismatch profits and losses | (0.8) |
| Assumption changes | |
| - Non-economic | (1.3) |
| - Economic | (0.8) |
| - Policyholder actions | 0.0 |
| Impact of new business | 0.0 |
| Other variances | |
| - Economic variance | 2.9 |
| - Non-economic variance | 9.3 |
| - Revenue Changes | 0.6 |
| - Management Actions | (3.6) |
| - Unexplained | (2.2) |
| **Closing working capital before zeroisation** | **118.1** |
| Planned benefit enhancements to distribute estate | (121.4) |
| Impact of planned enhancement on future policy related liabilities | 3.3 |
| **Closing working capital** | **(0.0)** |

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

| **£m** | **Current Valuation** | **Previous Valuation** |
|---|---|---|
| Litigation | **0.2** | **0.2** |
| VAT | **0.5** | **0.6** |
| Pension Scheme | **0.3** | **0.0** |
| Costs Falling Outside MSA | **0.3** | **0.4** |
| Strachan Policy Review | **0.4** | **0.4** |
| TCF Reserve | **0.2** | **0.2** |
| Solvency II | **0.2** | **0.2** |
| Capita Regulatory Buyout | **0.4** | **0.5** |
| Asset Management Services | **0.3** | **0.2** |
| Additional provision for tax * | **0.0** | **0.5** |
| Investment Expense Rebate credited to future asset shares | **0.9** | **0.9** |
| Total | **3.8** | **4.1** |

* Consisting of: Tax on future shareholder transfers, CGT reserve, deferred relief on acquisition expenses, and any adjustments in respect of amounts included in current liabilities.

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Regulatory current liabilities | **107.5** | **125.1** |
| **Total** | **107.5** | **125.1** |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

## Britannic With-Profits Fund

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

The following table shows the principal economic assumptions that have been used to determine the value of future profits arising from non-profit business written in the fund.

| Economic Assumption* | | Current Valuation | Previous Valuation |
|---|---|---|---|
| | | Base | Base |
| Valuation interest rate p.a. | Pensions | | |
| | Pre vesting | 3.07% | 2.12% |
| | Post vesting | 3.21% | 2.12% |
| | Life | 3.21% | 2.18% |
| Experience interest rate p.a. | Pensions | 3.55% | 2.42% |
| | Life | 3.55% | 2.42% |
| Risk discount rate p.a. | | 3.55% | 2.42% |
| Expense inflation p.a. | | 4.55% | 3.88% |

* The experience interest rates and risk discount rates are shown gross of tax and before deduction of investment expenses of 0.08% gross per annum.

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

Not applicable.

### (3) Valuation Of Insurance Contracts Written Outside The Fund

Not applicable.

### (4) Different Sets Of Assumptions

Not applicable.

### (5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

## 3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

### (1) Calculation Of With-Profits Benefits Reserve

In determining the with-profits benefits reserve shown in Line 31 of Form 19, the fund uses several methods. The methods can be summarised as:

(i) Asset Share Calculations

Asset shares are a roll up, at historic achieved investment returns, of premiums, less expenses, charges and tax, adjusted for the profit or loss on providing death benefits and the profit or loss from contracts that terminated early.

For the former Century business, the with-profits benefits reserve is based on the amount transferred from the former Century Life With Profit Fund as at 31 December 2006 in respect of this business (excluding the value of future profits and loss transfers). The amount transferred was determined using a bonus reserve valuation approach with future bonuses set so as to equal the amount available for transfer. This amount transferred became the opening asset share as at 31 December 2006 in the Britannic With-Profits Fund in respect of this business. This opening asset share has been rolled up with the actual historic experience as described above.

(ii) Prospective Method

This method takes the basic policy reserve, including the long term insurance capital requirement, and deducts the present value of retained earnings. The present value of retained earnings is the present value of the surplus or deficit compared to the reserve, after taking into account all future policy-related income and outgo.

(iii) Shadow Funds

For most unitised with-profits contracts the with-profits benefits reserve is taken as the shadow fund available from the company's mainframe systems. The shadow fund is the result of accumulating premiums less policy charges at the earned investment rate.

(iv) Regulatory Reserves

For some small classes of business it is not practical to apply any of the methods in (i) to (iii). In these cases the realistic reserve is taken as the regulatory reserve, excluding the long term insurance capital requirement (and, in the case of the Insurance ISA, the sterling reserves).

The table below shows the breakdown of the with-profits benefits reserve into these methods.

| Class | Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|---|
| | | | £m | £m |
| Conventional | Premium-Paying Regular Premium Endowments | Asset Share | 221 | 28 |
| | Channel Islands Regular Premium Pensions (Premium Paying) | Asset Share | 7 | 1 |
| | Regular Premium, Premium Paying Pensions | Asset Share | 35 | 33 |
| | Whole of Life | Asset Share | 12 | 1 |
| | Whole of Life | Prospective Method | 14 | 1 |
| | Other Endowments | Prospective Method | 1 | 0 |
| | Other Channel Islands Pensions | Prospective Method | 2 | 0 |
| | Other Pensions | Prospective Method | 6 | 5 |
| | Miscellaneous pensions & With-profits annuity | Regulatory Reserve | 14 | 0 |
| | Provision | Regulatory Reserve | 0 | 10 |
| Unitised With-Profits | Insurance ISA | Regulatory Reserve | 11 | 1 |
| | Other UWP products | Shadow Funds | 3,384 | 391 |
| Additional | | | | |
| Total | | | 3,706 | 472 |
| Form 19 Line 31 | | | 3,706 | |
| Form 19 Line 49 | | | | 472 |

In the table above, the split of the future policy related liabilities into the same detail as the with-profits benefits reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing rely on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

## (2) Correspondence With Form 19

The amounts in (1) above reconcile directly to Form 19.

## (3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable as all products have been disclosed.

### (4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business.

## 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

### (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

### (2) Significant Changes to Valuation Method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

### (3) Expense Allocation

For each with-profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

(a) The previous expense investigation was carried out in respect of financial year ended 31 December 2012.

(b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.

(c) The method by which expenses are charged to the with-profits benefits reserve in respect of individual contracts depends on the type of business and the method of determining asset shares:

- Traditional with-profits business asset shares are charged expenses based on the expenses charged by the outsourcers in respect of this business. The expenses are an amount per policy which varies by product type and by premium paying status. The amount charged to asset shares is subject to an uplift to cover direct costs and an element of project costs. Additional one-off project costs are not charged to asset shares. Investment expenses are charged to asset shares by reducing the investment return allocated.

- Unitised with-profits business asset shares are charged expenses using product charges, rather than actual expenses. The product charges cover acquisition, maintenance and investment expenses.

- Smoothed return business, that is with-profits annuity business, overseas with-profits bond business and with-profits bond business, asset shares are charged expenses using product charges, rather than actual expenses. The product charges cover acquisition, maintenance and investment expenses.

The expenses charged to asset shares are all charged as maintenance expenses as the fund is no longer actively seeking new business and, for the purposes of this expense investigation, all expenses have been treated as maintenance. Consequently the subsequent analysis does not identify any initial expenses.

The expenses charged to the With-Profits Fund in addition to those allocated to the with-profits benefits reserve comprise:

- One-off costs not charged to asset shares;
- The difference between the expenses charged to the fund in respect of unitised with-profits business and smoothed business and the product charges charged to the associated asset shares;

- Expenses in respect of with-profits contracts that were in force at the previous financial year-end and are no longer in force at the current financial year-end;
- The expenses incurred in respect of non-profit business in the fund;
- The investment expenses reduction not charged to asset shares;
- Investment expenses associated with the investments backing other with-profits reserves and the estate;
- Prior year adjustments; and
- Balance between aggregation of the amounts charged to asset shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with-profits benefits reserve and the residual balance charged to the fund during the financial year were:

| | | | |
|---|---|---|---|
| | **Item** | | **£m** |
| (i) | Expenses charged to with profits benefits reserve | Traditional WP business | 1.7 |
| | | Unitised WP business | 19.8 |
| | | Smoothed return business | 0.4 |
| (ii) | Other expenses charged to fund | Other project costs | 2.8 |
| | | Excess product charges | (7.9 ) |
| | | Exiting with-profits contracts | 0.5 |
| | | Non profit contracts | 1.0 |
| | | Investment expenses | 6.8 |
| | | Prior year adjustments | (0.1 ) |
| | | Balance | 0.4 |
| (iii) | **Total expenses** | | **25.6** |

## (4) Significant Charges

Charges for cost of guarantees and cost of capital are not charged to conventional business or unitised with-profits business with-profits benefits reserves. Charges for cost of guarantees and cost of capital are included in the product charges for smoothed return business and hence are charged to the with-profits benefits reserves. The cost of capital funds the shareholder profit and loss transfer and associated tax in respect of this business. The amounts charged to the with-profits benefits reserves are:

| **Policies previously written in** | **During financial year** | | **Preceding financial year** | |
|---|---|---|---|---|
| | **cost of guarantees** | **cost of capital** | **cost of guarantees** | **cost of capital** |
| | **£m** | **£m** | **£m** | **£m** |
| BA | 0.0 | 0.1 | 0.1 | 0.1 |

## (5) Charges For Non-Insurance Risk

No charges were deducted from the fund for non-insurance risk.

## (6) Ratio Of Claims To Reserves

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with-profits benefits reserves in respect of those claims, for the three preceding financial years is:

| Year | Average total with-profits claim ratio for financial year |
|---|---|
| Previous year -1 | 99.0% |
| Previous year | 101.0% |
| Current year | 100.0% |

### (7) Allocated Return

The investment return before tax and expenses allocated to the with-profits benefits reserve in respect of the financial year in question is as follows:

| Type of business | Investment Return |
|---|---|
| Policies previously written in BA other than Euro denominated business | 7.70% |
| Policies previously written in BA - Euro denominated business (return in | 14.57% |
| Policies previously written in Century | 0.97% |

The assets backing the former Britannic Assurance sterling denominated business, the former Britannic Assurance euro denominated business and former Century Life business are different and hence the investment returns in the above table are correspondingly different.

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

Prospective methods of valuation are used in determining a proxy for an asset share calculation in respect of certain contracts. These methods are used where a retrospective asset share calculation may be inappropriate or impractical.

The prospective method was described in paragraph 3 (1) (ii).

The following table sets out the main assumptions used. There are no explicit risk adjustments made to assets.

| Policies previously written in BA | | |
|---|---|---|
| **Economic Assumptions*** | | |
| Valuation interest rate p.a. | Pensions | |
| | pre vesting | 3.95% |
| | post vesting | 3.21% |
| | Life | 3.16% |
| Experience interest rate p.a. | Pensions | 3.54% |
| | Life | 3.54% |
| Discount rate p.a.** | | 3.55% |
| **Expense Assumptions** | | |
| Investment Expense p.a. | | 0.15% |
| Per policy Expenses p.a. | Valuation | £50.82 |
| | Experience | £50.48 |
| Expense Inflation p.a. | | 4.55% |

* The experience interest rates and risk discount rates are shown gross of tax and before deduction of investment expenses. The investment expenses are gross of tax.

** This discount rate is the 15 year gilt yield + 10 basis points which is consistent with the risk free rates in paragraph 6 (4) (a) (iii) which are derived from the proprietary economic scenario generator model as described in paragraph 6 (4) (a) (ii) using the gilt yield curve + 10 basis points.

No future reversionary bonus is assumed in the projections. Sample terminal bonus rates are:

| Policies previously written in BA | | | | | |
|---|---|---|---|---|---|
| Sample Terminal Bonus Rates * - % | | | | | |
| | Policy Term | | | | |
| Year of Maturity | 5 | 10 | 15 | 20 | 25 |
| 2014 | 7.5 | 45.0 | 47.0 | 37.0 | 69.5 |
| 2019 | 0.0 | 45.0 | 52.0 | 67.5 | 48.0 |
| 2024 | 0.0 | 0.0 | 52.0 | 44.5 | 112.0 |
| 2029 | 0.0 | 0.0 | 0.0 | 44.5 | 49.5 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 49.5 |

* Other than deferred annuities, for which the projected rates are zero.

For deferred annuity products valued on a prospective basis, lapses are not modelled. Sample lapse rates for other products valued on a prospective basis, which are based on historic experience, are:

| Policies previously written in BA | | | | | |
|---|---|---|---|---|---|
| Sample Lapse Rates - % | | | | | |
| | Policy Term | | | | |
| Year of Maturity | 5 | 10 | 15 | 20 | 25 |
| Whole of Life | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Endowment | 4.0 | 4.0 | 2.5 | 2.5 | 2.5 |

No lapses were assumed in calculating the prospective reserves except that the expense assumptions do make an implicit allowance for the effect of expected future lapses.

### (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 etc.

| | Cost of Guarantees & Options | Smoothing Cost | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|---|
| All Business | Stochastic model | Stochastic model | Ex-BA conventional | 24,950 | 441 |
| | | | Ex-BA unitised | 376,134 | 1035 |
| | | | Ex-Century conventional | 2,047 | 181 |

(a) Cost of Guarantees & Options

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

(i) Guaranteed annuity option reserves;
(ii) The reserves required in addition to asset share to meet guaranteed benefits.

The calculations were carried out using a risk neutral approach.

Cost of Smoothing

The cost of smoothing is determined using the same stochastic model.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) The stochastic model uses three grouped policy data files: one for formerly Britannic conventional with-profits contracts, another for formerly Century conventional with-profits contracts and a third for unitised with-profits contracts.

Former Britannic Conventional Business Grouping

Policies are grouped chiefly according to product type, premium status, premium mode, year of maturity, year of entry, premium term, age and joint life status. For single life policies, all are assumed to be male lives.

Years of maturity are grouped into one or two year bands up to and including 14 years after the valuation date. Policies maturing from 15 to 20 years after the valuation date are grouped, as are policies maturing after that time.

For the 5 years preceding the valuation date, the year of entry is not grouped. Before that, years of entry are banded into 2-3 year intervals up to 22 years preceding the valuation date. Policies that were taken out from 23 to 37 years before the valuation date are grouped, as are any taken out earlier than that.

Within each group, weights are applied to certain key policy features before averaging. For example, the elapsed duration is weighted by the sum assured, as is the premium term. For other data, such as sums assured and premiums, a simple average is taken.

Former Century Business Grouping

Policies are grouped chiefly according to product type, premium status, year of maturity, policy term, entry age and joint life status. For single life policies, all are assumed to be male lives.

Years of maturity are grouped into one year bands up to and including 20 years after the valuation date. Policies maturing after 20 years after the valuation date are grouped together.

Policy terms are grouped into 5 year bands around terms of 10, 15 and 20 years. Policies of longer terms are grouped together.

Entry ages are grouped depending on whether greater than or less than age 40.

Within each group, weights are applied to certain key policy features before averaging. For example, the elapsed duration is weighted by the sum assured, as is the premium term. For other data, such as sums assured and premiums, a simple average is taken.

Groups which contain very small subsets of the business are grouped together.

Unitised With-Profits Grouping

Policies are grouped chiefly according to product type, series number (this being relevant for bonds that have different dates at which benefits can be taken without reduction), premium status, premium mode, year of maturity (where relevant), policy size (by units) and the ratio of the shadow fund to the value of policy units.

For policies other than whole of life bonds, the maturity year is taken as the earliest year in which benefits can be taken without reduction. The grouping by maturity year is carried out in one year bands, excluding policies due to mature in the next year.

For the ratio of the shadow fund to the value policy units, banding is normally carried out in 5% intervals. However, individual bands may be sub-divided where it is felt that there would otherwise be a bunching of policies.

Within each group, simple averages are taken to determine a representative policy.

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the key variables in the data files. The comparison includes items such as number of policies, sum assured, asset shares. Where material discrepancies arise, these may result in grouping being revisited

(c) No significant approximation methods, other than those mentioned above, were used for any residual types of products or classes.

## (3) Significant Changes

There have been no significant changes since the previous valuation.

## (4) Further Information On Stochastic Approach

(a) (i) The stochastic model is used to place a value on:

- Maturity guarantees on conventional endowments;
- Guarantees on vesting of deferred annuity contracts;
- Guarantees on maturity or retirement for unitised with-profits contracts;
- Nil-penalty guarantees on the surrender of with-profits bonds at certain durations;
- The impact of bonus smoothing.

As at 31 December, for a significant proportion of the with-profits business maturity payouts (including retirements) exceed asset shares. It is intended to reduce this overpayment in line with the company's smoothing policy subject to the level of guarantees. The impact of bonus smoothing is shown in Line 44 of Form 19.

An indication of the combined impact of guarantees and smoothing is provided in (vi), below.

(ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

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

The calibration at the valuation date was as follows:

| Term | Govt. + 10bp (%) | Model (%) | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 0.51 | 0.51 | 0 |
| 2 | 0.90 | 0.90 | (0) |
| 3 | 1.31 | 1.31 | (0) |
| 4 | 1.72 | 1.72 | 0 |
| 5 | 2.08 | 2.09 | 0 |
| 6 | 2.41 | 2.41 | 0 |
| 7 | 2.69 | 2.70 | 1 |
| 8 | 2.94 | 2.95 | 1 |
| 9 | 3.14 | 3.16 | 2 |
| 10 | 3.32 | 3.33 | 2 |
| 15 | 3.79 | 3.81 | 2 |
| 20 | 3.92 | 3.93 | 1 |
| 25 | 3.93 | 3.94 | 1 |
| 30 | 3.90 | 3.91 | 0 |

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

| Term | Market Implied Volatility (%) | Model (%) | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 20.00 | 23.50 | 350 |
| 2 | 20.10 | 21.50 | 140 |
| 3 | 19.40 | 20.20 | 80 |
| 4 | 18.70 | 19.30 | 60 |
| 5 | 18.10 | 18.50 | 40 |
| 7 | 16.80 | 17.30 | 50 |
| 10 | 15.50 | 15.90 | 40 |
| 15 | 14.20 | 14.10 | (10) |
| 20 | 13.50 | 12.90 | (60) |
| 25 | 13.20 | 11.90 | (130) |
| 30 | 12.70 | 11.10 | (160) |

Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The equity model uses a volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Alternative investments are treated as UK equities.

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

Implied volatility data at the valuation date is shown below:

Market

| Term | Strike | | | | |
|---|---|---|---|---|---|
| | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| | **%** | **%** | **%** | **%** | **%** |
| 1 | 20.50 | 17.10 | 14.30 | 13.20 | 13.00 |
| 3 | 20.10 | 18.40 | 17.00 | 15.80 | 15.00 |
| 5 | 21.20 | 20.00 | 18.90 | 17.80 | 16.90 |
| 7 | 22.40 | 21.40 | 20.50 | 19.70 | 19.00 |
| 9 | 23.40 | 22.40 | 21.60 | 20.90 | 20.20 |

Model

| Term | Strike | | | | |
|---|---|---|---|---|---|
| | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| | **%** | **%** | **%** | **%** | **%** |
| 1 | 19.42 | 16.65 | 14.31 | 11.94 | 8.81 |
| 3 | 20.45 | 19.01 | 17.45 | 16.16 | 15.16 |
| 5 | 20.86 | 19.80 | 19.01 | 18.44 | 17.81 |
| 7 | 21.92 | 21.03 | 20.27 | 19.61 | 19.03 |
| 9 | 22.51 | 21.88 | 21.31 | 20.85 | 20.44 |

Difference (Model – Market) %

| Term | Strike | | | | |
|---|---|---|---|---|---|
| | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| | **%** | **%** | **%** | **%** | **%** |
| 1 | (1.08) | (0.45) | 0.01 | (1.26) | (4.19) |
| 3 | 0.35 | 0.61 | 0.45 | 0.36 | 0.16 |
| 5 | (0.34) | (0.20) | 0.11 | 0.64 | 0.91 |
| 7 | (0.48) | (0.37) | (0.23) | (0.09) | 0.03 |
| 9 | (0.89) | (0.52) | (0.29) | (0.05) | 0.24 |

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

| Term | Strike | | | | |
|---|---|---|---|---|---|
| | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| | **%** | **%** | **%** | **%** | **%** |
| 15 | 24.62 | 24.10 | 23.59 | 23.15 | 22.79 |
| 20 | 25.19 | 24.86 | 24.53 | 24.22 | 23.97 |
| 25 | 26.61 | 26.40 | 26.19 | 26.00 | 25.81 |
| 30 | 27.81 | 27.55 | 27.27 | 27.02 | 26.81 |
| 35 | 27.01 | 26.74 | 26.51 | 26.31 | 26.14 |
| 40 | 28.02 | 27.89 | 27.74 | 27.61 | 27.51 |

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

<u>Corporate bond</u>

Corporate bond returns are modelled using the extended Jarrow-Lando- Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

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

| | *Output Correlations @ Year 10* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | Equities | Property | Overseas Equities | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB | 5yr Index Linked ZCB | 15yr Index Linked ZCB |
| Cash | 1.00 | (0.15) | (0.12) | (0.22) | (0.78) | (0.83) | (0.70) | (0.79) | (0.34) | (0.41) |
| Equities | | 1.00 | 0.31 | 0.74 | 0.15 | 0.12 | 0.26 | 0.19 | 0.13 | 0.17 |
| Property | | | 1.00 | 0.13 | 0.13 | 0.10 | 0.18 | 0.13 | 0.11 | 0.11 |
| Overseas equities | | | | 1.00 | 0.21 | 0.17 | 0.32 | 0.24 | 0.17 | 0.21 |
| 5yr Govt ZCB | | | | | 1.00 | 0.89 | 0.89 | 0.86 | 0.37 | 0.43 |
| 15yr Govt ZCB | | | | | | 1.00 | 0.79 | 0.96 | 0.22 | 0.35 |
| 5yr Corp ZCB | | | | | | | 1.00 | 0.88 | 0.36 | 0.41 |
| 15yr Corp ZCB | | | | | | | | 1.00 | 0.23 | 0.35 |
| 5yr Index Linked ZCB | | | | | | | | | 1.00 | 0.90 |
| 15yr Index Linked ZCB | | | | | | | | | | 1.00 |

(iii) The table below is based on 1,000 scenarios:

| | | Asset type (all UK assets) | K=0.75 | | | | K=1 | | | | K=1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.09% | 3.81% | 3.94% | 3.86% | | | | | | | | |
| 1 | | Risk-free zero coupon bond | 901,964 | 570,477 | 380,948 | 265,420 | | | | | | | | |
| 2 | | FTSE All Share Index (p=1) | 68,963 | 213,799 | 318,462 | 388,639 | 168,412 | 354,288 | 488,445 | 568,287 | 530,896 | 706,343 | 868,116 | 963,309 |
| 3 | | FTSE All Share Index (p=0.8) | 64,654 | 175,221 | 238,161 | 275,265 | 157,826 | 292,410 | 368,728 | 402,342 | 504,178 | 587,518 | 665,771 | 686,433 |
| 4 | | Property (p=1) | 52,185 | 158,024 | 243,831 | 317,142 | 167,833 | 305,789 | 409,657 | 498,696 | 547,901 | 677,549 | 800,635 | 900,891 |
| 5 | | Property (p=0.8) | 47,308 | 119,506 | 168,369 | 204,361 | 156,403 | 240,491 | 292,087 | 331,003 | 521,012 | 551,188 | 590,024 | 619,424 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 20,748 | 19,425 | 14,956 | 23,016 | 92,652 | 84,319 | 88,565 | 127,052 | 500,156 | 502,228 | 506,887 | 533,621 |
| 7 | | 15 year risk free zero coupon bond (p=0.8) | 18,551 | 11,459 | 6,243 | 5,157 | 83,621 | 47,649 | 26,639 | 27,649 | 469,768 | 346,628 | 265,867 | 236,442 |
| 8 | | 15 year risk free bonds (p=1) | 22,711 | 27,658 | 29,454 | 48,153 | 99,184 | 106,169 | 112,728 | 152,922 | 498,372 | 499,417 | 504,195 | 538,541 |
| 9 | | 15 year risk free bonds (p=0.8) | 20,357 | 16,201 | 12,660 | 15,769 | 89,714 | 64,078 | 45,996 | 53,733 | 468,246 | 348,859 | 275,400 | 254,511 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 42,622 | 156,908 | 247,266 | 313,889 | 135,909 | 289,519 | 407,039 | 485,593 | 519,978 | 649,677 | 783,506 | 870,673 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 39,027 | 123,270 | 175,272 | 211,195 | 125,569 | 229,195 | 293,717 | 326,829 | 491,910 | 527,796 | 581,721 | 599,436 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1) | 31,869 | 123,385 | 195,324 | 261,665 | 117,781 | 245,358 | 340,843 | 414,273 | 508,725 | 596,616 | 703,186 | 782,290 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8) | 28,888 | 94,318 | 132,804 | 170,843 | 107,824 | 188,877 | 236,379 | 272,922 | 479,580 | 473,177 | 506,240 | 520,563 |
| 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) | 17,105 | 73,624 | 125,185 | 184,806 | 93,348 | 182,566 | 257,006 | 323,116 | 504,395 | 546,086 | 621,891 | 687,529 |
| 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) | 15,040 | 51,048 | 77,460 | 108,312 | 83,453 | 129,862 | 160,886 | 194,610 | 474,536 | 416,817 | 421,690 | 426,061 |
| | | | | | | | | | | | | | | |
| | | | L=15 | | | | L=20 | | | | L=25 | | | |
| 16 | | Receiver swaptions | 10.73% | 10.34% | 8.22% | 6.21% | 13.32% | 12.74% | 10.05% | 7.51% | 15.64% | 14.79% | 11.54% | 8.55% |

Notes:

(iv) In all investment scenarios the initial equity dividend yield is set to 3.46% and the initial property rental yield to 4.30% p.a.

(v) The asset model is not calibrated to any risk-free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories, even where Britannic has significant investments in those territories.

(vi) The table below shows the outstanding durations of significant guarantees and options within material types of product and classes of with-profits contracts. The table shows the proportion of the total present value of cost of guarantees and options split by term to maturity.

| | Conventional | | Unitised With_profits | |
|---|---|---|---|---|
| **Term to maturity/claim (years)** | **Endowments** | **Whole Life** | **Endowments** | **Pensions** |
| 1-5 | 21.9% | 1.8% | 0.6% | 18.0% |
| 6-10 | 7.0% | 0.7% | 0.2% | 12.1% |
| 11-15 | 10.0% | 0.1% | 0.1% | 10.5% |
| 16-20 | 4.2% | 0.0% | 0.1% | 8.9% |
| 21-25 | 0.5% | 0.0% | 0.0% | 2.9% |
| 26-30 | 0.0% | 0.0% | 0.0% | 0.1% |
| 31-35 | 0.0% | 0.0% | 0.0% | 0.0% |
| 36-40 | 0.0% | 0.0% | 0.0% | 0.0% |

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

(vii) Comprehensive tests are carried out on the output produced by Barrie & Hibbert asset model as follows:

For UK and Overseas equities and for UK property 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 has been verified to be acceptably close to unity – the martingale property.

The same test has been undertaken for gilts and bonds with terms of 1, 3, 5, 10, 15, 20, 30 and 40 years. Departures from unity in the average discounted present values have not been significant.

Zero coupon bond yields calculated from the model cash output have been verified to match 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 verification has been made, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using Black-Scholes formula reproduce the expected volatility surface.

Verification has also been made, within acceptable limits, that implied volatility calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The stochastic model is run on 1,000 investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

(a) The stochastic model does not take into account the possibility of actions taken by management in the projected investment scenarios, other than to the extent described below.

Bonus Policy – Conventional With-Profits Business

Future reversionary bonus rates are assumed to be zero except for business formerly written in Century. For business formerly written in Century, the reversionary bonuses are those declared at the valuation date and are kept constant over the projection period. The cost of guarantees on business formerly written in Century is immaterial.

Maturity payouts are targeted to be 100% of asset share, subject to the company's smoothing policy. To achieve this, the model compares policies maturing in one year against similar policies maturing in the previous year and derives a scale of terminal bonus rates such that the maximum change in payout from year to year is 15%.

Bonus Policy – Unitised With-Profits Business

The reversionary bonus rate is zero for unitised with-profits life business. For pensions business, no reversionary bonus is paid unless the ratio (in aggregate) of the shadow fund to the unit fund (including bonus units) exceeds 115%. In this case a 3% bonus is paid.

Terminal bonus rates are calculated based on a vintage unit method, by month of purchase. The bonus smoothing logic as described for conventional business is then applied to each monthly payout. Terminal bonus rates for each calendar year are taken as an average of the calculated monthly values.

Investment Mix

Appropriate allowance is made for the expectation that the exposure of the fund to real assets (UK equities, overseas equities and property) will reduce as the portfolios reach maturity. The proportion of real assets is assumed to reduce by 0.12% per month from 48.4% at the valuation date to 20% after 20 years.

(b) For the management actions assumed to determine the costs in paragraph 6.(4), the best estimates as to the future proportions of the assets backing the with-profits benefits reserve which would consist of equities and as to future reversionary bonus rates for significant accumulating with-profits business are shown in the following tables. They are given as at the end of the financial year in question, in 5 years time and in 10 years time, and are based on the 5 year gilt yield plus 10 basis points (2.08%) and on that yield both increased (2.69%) and decreased (1.48%) by 17.5% of the long term gilt yield.

| **Policies previously written in BA / Century** | | | | | | |
|---|---|---|---|---|---|---|
| **Yield = 2.08%** | Equity Proportion of assets backing with-profits benefits reserve | | | Future Reversionary Bonus Rate for accumulating with-profits business | | |
| Type of business | at end of financial year | In 5 years time | in 10 years time | at end of financial year | in 5 years time | in 10 years time |
| Former Britannic Assurance traditional with-profits | 48% | 41% | 34% | n/a | n/a | n/a |
| Former Century Life traditional with-profits | 9% | 8% | 6% | n/a | n/a | n/a |
| Unitised with-profits life regular premium business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| Unitised with-profits life single premium business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| Unitised with-profits pensions business | 48% | 41% | 34% | 3.00% | 3.00% | 3.00% |
| Unitised with-profits ISA business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| With-profits euro business | 61% | 51% | 41% | n/a | n/a | n/a |

| **Policies previously written in BA / Century** | | | | | | |
|---|---|---|---|---|---|---|
| **Yield = 2.69%** | Equity Proportion of assets backing with- | | | Future Reversionary Bonus Rate for | | |
| Type of business | at end of financial year | In 5 years time | in 10 years time | at end of financial year | in 5 years time | in 10 years time |
| Former Britannic Assurance traditional with-profits | 48% | 41% | 34% | n/a | n/a | n/a |
| Former Century Life traditional with-profits | 9% | 8% | 6% | n/a | n/a | n/a |
| Unitised with-profits life regular premium business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| Unitised with-profits life single premium business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| Unitised with-profits pensions business | 48% | 41% | 34% | 3.00% | 3.00% | 3.00% |
| Unitised with-profits ISA business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| With-profits euro business | 61% | 51% | 41% | n/a | n/a | n/a |

| **Policies previously written in BA / Century** | | | | | | |
|---|---|---|---|---|---|---|
| **Yield = 1.48%** | Equity Proportion of assets backing with- | | | Future Reversionary Bonus Rate for | | |
| Type of business | at end of financial year | In 5 years time | in 10 years time | at end of financial year | in 5 years time | in 10 years time |
| Former Britannic Assurance traditional with-profits | 48% | 41% | 34% | n/a | n/a | n/a |
| Former Century Life traditional with-profits | 9% | 8% | 6% | n/a | n/a | n/a |
| Unitised with-profits life regular premium business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| Unitised with-profits life single premium business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| Unitised with-profits pensions business | 48% | 41% | 34% | 3.00% | 3.00% | 0.00% |
| Unitised with-profits ISA business | 48% | 41% | 34% | 0.00% | 0.00% | 0.00% |
| With-profits euro business | 61% | 51% | 41% | n/a | n/a | n/a |

### (6) Persistency Assumptions

The surrender and paid-up assumptions are:

| Product | | Average surrender / paid-up rate for the policy years - % | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| CWP savings endowment | Surrender | 4.0 | 4.0 | 2.5 | 2.5 |
| UWP savings endowment | Surrender | 5.5 | 5.5 | 5.0 | 5.0 |
| UWP bond | Surrender | 10.0 | 10.0 | 10.0 | 10.0 |
| CWP pension regular premium | Surrender | 0.0 | 0.0 | 0.0 | 0.0 |
| CWP pension single premium | Surrender | 0.0 | 0.0 | 0.0 | 0.0 |
| UWP individual pension regular premium | PUP | 5.5 | 5.5 | 5.5 | 5.5 |
| UWP individual pension regular premium | Surrender | 1.5 | 1.5 | 2.5 | 2.5 |
| UWP individual pension single premium | Surrender | 1.5 | 1.5 | 1.5 | 1.5 |

There is an exposure to guaranteed annuity options in respect of an agreement with the Alba With-Profits Fund. In summary the agreement is such that the Alba With-Profits Fund pays the Britannic With-Profits Fund 75% of the potential guaranteed annuity cost which could arise when a customer retires and the Britannic With-Profits Fund pays the actual cost. Thus the Britannic With-Profits Fund bears the cost (or takes the profits) if the take up rate is more (less) than 75%. When calculating the realistic estate, we assume that the take up rate is 75%, as indicated by recent experience. There is a further stress for RCM of the take up rate increasing to 95%.

### (7) Policyholders' Actions

The model adds an extra 10% to the underlying rates shown in the table in paragraph 6 (6) above on no market value reduction dates for unitised with-profits whole life bonds when the guarantees are in the money.

## 7. FINANCING COSTS

There are no financing arrangements currently in place for the fund.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

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

| £m | Current Valuation |
|---|---|
| Mortgage Endowment Review | 0.6 |
| Pensions Mis-Selling | 13.7 |
| Costs Falling Outside MSAs | 0.9 |
| Pension Scheme | 5.7 |
| TCF Reserves | 0.4 |
| Stakeholder Pension Expenses | 0.1 |
| Data | 0.0 |
| Litigation | 2.2 |
| VAT | 10.7 |
| Solvency II | 2.1 |
| Strachan Policy Review | 0.3 |
| Capita Regulatory Buyout | 0.7 |
| Asset Management Services | 3.1 |
| Actuarial Systems Transformation Reconciliations * | (40.1) |
| UWP Expenses less Charges Plus Shareholder Transfers | 9.8 |
| Corporation tax step changes | 0.5 |
| Tax on Shareholder Transfers Plus Tax on Shareholders's Share of Estate | 48.0 |
| Century Shareholder Transfers | 1.4 |
| Compensation for BAM Investment Expense | 2.4 |
| **Total** | **62.5** |

* As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

## 9. REALISTIC CURRENT LIABILITIES

The realistic value of current liabilities, shown at line 51 of Form 19, is taken to be equal to the value assessed on a regulatory basis, this being £1012.4m. The figure includes creditors (including outstanding claims), provisions (including taxation), accruals and deferred income.

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin for the fund was calculated to be zero at the valuation date.

(i) The risk capital margin allows for a fall in equity values of 20.0%. This was compared to a rise in equity values of the same amount and found to be more onerous for the fund.

A fall of 12.5% was allowed for in the value of property assets, and again this was found to be more onerous than a rise in property values of the same amount. Collective investment vehicles invested in property were stressed at 20%. JPUT's which form part of collective investment vehicles were stressed at 12.5% plus an allowance for gearing.

(ii) The scenario of a rise in fixed interest yields of 17.5% of the long-term gilt yield was compared against a fall in yields of the same amount. The more onerous result was assumed and represented a rise in yields. The nominal rise and fall in the (annualised) yields was 60 basis points.

Overseas stocks were subjected to the same basis point adjustment as for UK stocks.

(iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in the spread for bonds subject to the test, weighted by market value, was 106 basis points for the fund. This change in yields resulted in a fall in the value of these bonds by an average of 8.93% for the fund

(iv) Persistency rates were assumed to improve by 32.5%. This was allowed for in the projections by multiplying the assumed lapse, paid-up and surrender rates at each duration by 67.5%, with the exception of surrender rates on unitised with-profits contracts at dates when market value reductions cannot be applied.

The GAO take-up rate was assumed to be 95%.

Applying the persistency test on top of the tests already described in (i) to (iii) results in an increase in the value of realistic liabilities of 0.409% but this is offset by a corresponding reduction in planned enhancements as described below. Of the 0.409% increase 0.275% is due to the increase in the GAO take-up rate.

(v) Not applicable.

(b) The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the With-Profits Fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reductions in the excess assets. This action has a value of £0.01m in the fund.

Some policies have been granted discretionary enhancements to investment returns attributed to asset shares or shadow units. These enhancements will be removed if the estate of the With-Profits Fund is insufficient to finance them. No removal of enhancements has been assumed for the fund in the risk capital margin conditions.

For the fund, the effect of the above management actions would be to leave a working capital of zero in the risk capital margin conditions.

(c) (i) The risk capital margin is zero.

(ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

(d) The cost of the profit margin used in the annuity pricing basis for the base position is stressed to reflect the stressed market conditions. This is then applied to the estate as in the base case.

## 11. TAX

(i) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets. For unrealised gains, a reduced rate is used in order to reflect deferral of the gain.

Expenses attributed to the with-profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

Where asset share calculations are used, the value of outstanding tax relief arising on acquisition expenses is not capitalised. This asset is reflected in Line 47 of Form 19.

Additional tax arising on shareholder transfers is met from the estate and is not chargeable to asset shares.

(ii) In calculating the value of future policy related liabilities, tax is allowed for as follows.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees and smoothing, and this allows for policyholder tax as described in (i).

Additional tax on shareholder transfers, which is payable from the estate, is reflected in Line 47 of Form 19 and is derived from the stochastic model results.

The accrued amount of any unrealised capital gains is included in Line 47 of Form 19. This is based on the actual unrealised gains on the valuation date multiplied by a tax rate that does not allow for deferral of the gain being realised.

Outstanding tax relief on acquisition expenses is allowed for in Line 47 of Form 19 and is based on outstanding amounts from the company's tax computation, discounted at a risk-free rate.

The tax relief from any deferred expenses from the company's tax computation is assumed to be recovered after one year, and the discounted value (at a risk free rate) is included in Line 47 of Form 19.

In Line 47 of Form 19, adjustments are made in respect of any amounts already included as current liabilities.

(iii) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

## 12. DERIVATIVES

On the valuation date, the fund held futures contracts as described in the table below. A negative number of units indicates that a short position is held.

**Growth Fund**

| Index | Units | Price on the valuation date | Settlement Price | Unit Multiple for Settlement | Settlement Date |
|---|---|---|---|---|---|
| LIFFE Long Gilt | (850) | 10,656 GBP | 10,872 GBP | 10 | 27/03/2014 |

**Matched Fund**

| Index | Units | Price on the valuation date | Settlement Price | Unit Multiple for Settlement | Settlement Date |
|---|---|---|---|---|---|
| LIFFE Long Gilt | (233) | 10,656 GBP | 10,865 GBP | 10 | 27/03/2014 |
| S&P 500 | (128) | 5,558 GBP | 5,340 GBP | 10 | 21/03/2014 |
| FTSE 100 | (260) | 6,698 GBP | 6,438 GBP | 10 | 21/03/2014 |
| Dow Jones Euro | (172) | 2,586 GBP | 2,432 GBP | 10 | 21/03/2014 |
| TOPIX | (19) | 7,560 GBP | 7,221 GBP | 10 | 13/03/2014 |
| SPI 200 | (30) | 7,181 GBP | 6,845 GBP | 10 | 20/03/2014 |
| MSCI Emerging Markets | (140) | 3,070 GBP | 2,974 GBP | 10 | 21/03/2014 |
| Hang Seng | (25) | 9,085 GBP | 8,948 GBP | 10 | 29/01/2014 |

| Forward Currencies (Notional Amounts £000) | Long | Short |
|---|---|---|
| Growth Fund | 166,264 | 161,687 |
| Matched Fund | 22,916 | 22,550 |
| Euro Fund | 992 | 997 |
| Total | 190,173 | 185,234 |

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---:|
| **Opening working capital** | **0.0** |
| Write back planned benefit enhancements to zeroise working capital | **220.8** |
| **Revised opening working capital** | **220.8** |
| Opening adjustments and modelling changes | (7.1) |
| **Restated opening working capital** | **213.6** |
| Investment return on opening working capital | 6.4 |
| Mismatch profits and losses | 24.9 |
| Assumption changes | |
| - Non-economic | 15.1 |
| - Economic | (12.7) |
| - Policyholder actions | 2.9 |
| Impact of new business | 0.0 |
| Other variances | |
| - Economic Variances | (0.8) |
| - Management Actions | (10.2) |
| - Revenue Changes | (8.8) |
| - Changes In Provisions | 61.1 |
| - Unexplained | 7.8 |
| **Closing working capital before zeroisation** | **299.3** |
| Planned benefit enhancements to distribute estate | (308.2) |
| Impact of planned enhancement on future policy related liabilities | 8.9 |
| **Closing working capital** | **(0.0)** |

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Mortgage Endowment Review | 0.6 | 0.7 |
| Pensions Mis-Selling | 13.7 | 13.7 |
| Costs Falling Outside MSAs | 0.9 | 0.9 |
| Pension Scheme | 5.7 | 0.0 |
| TCF Reserves | 0.4 | 0.4 |
| Stakeholder Pension Expenses | 0.1 | 0.1 |
| Data | 0.0 | 0.0 |
| Litigation | 2.2 | 2.2 |
| VAT | 10.7 | 9.2 |
| Solvency II | 2.1 | 1.4 |
| Strachan Policy Review | 0.3 | 0.5 |
| Capita Regulatory Buyout | 0.7 | 0.9 |
| Asset Management Services | 3.1 | 2.3 |
| Actuarial Systems Transformation | 0.0 | 0.5 |
| Actuarial Systems Transformation Reconciliations * | (40.1) | 0.0 |
| UWP Expenses less Charges Plus Shareholder Transfers | 9.8 | (16.0) |
| Corporation tax step changes | 0.5 | 0.0 |
| Tax on Shareholder Transfers Plus Tax on Shareholders's Share of Estate | 48.0 | 49.4 |
| Century Shareholder Transfers | 1.4 | 2.5 |
| Compensation for BAM Investment Expense | 2.4 | 2.4 |
| **Total** | **62.5** | **71.0** |

* As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

The following table shows a breakdown of the liabilities show on line 51 Form 19 at the start and end of the year:

| £m | Current | Previous |
|---|---|---|
| Regulatory current liabilities | 1,012.4 | 1,083.1 |
| **Total** | **1,012.4** | **1,083.1** |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

# PWP With-Profits Fund

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

The economic assumptions used to calculate the value of future profits on non-profit products are as follows:

| | Current Valuation | Previous Valuation |
|---|---|---|
| Gross Investment return | See below | See below |
| Risk discount rate | See below | See below |
| RPI Inflation | 3.55% | 2.88% |
| Expense inflation | 4.55% | 3.88% |

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

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

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

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

| | Risk Free Rate | |
|---|---|---|
| **Term (years)** | **Current Valuation** | **Previous Valuation** |
| 1 | 0.51% | 0.32% |
| 2 | 0.90% | 0.43% |
| 3 | 1.31% | 0.60% |
| 4 | 1.72% | 0.80% |
| 5 | 2.08% | 1.01% |
| 6 | 2.41% | 1.22% |
| 7 | 2.69% | 1.43% |
| 8 | 2.94% | 1.63% |
| 9 | 3.14% | 1.82% |
| 10 | 3.32% | 1.99% |
| 12 | 3.57% | 2.31% |
| 15 | 3.79% | 2.70% |
| 20 | 3.92% | 3.18% |
| 25 | 3.93% | 3.49% |

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

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

### (2) Amount Determined Under INSPRU 1.3.33(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 – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

## 3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

### (1) Calculation Of With-Profits Benefits Reserve

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| With-profits – Whole Life | Prospective | 117 | 16 |
| With-profits – Other Life | Retrospective | 705 | 94 |
| With-profits – Pensions (Regular and Single Premium) | Retrospective | 213 | 100 |
| With-profits – Pensions (Paid-Up) | Prospective | 215 | 101 |
| UWP Life (including Whole Life With-Profits Bond) | Retrospective | 231 | 30 |
| UWP Pensions | Retrospective | 743 | 124 |
| Other | | 19 | |
| Total | | 2,243 | 465 |
| Form 19 Line 31 | | 2,243 | |
| Form 19 Line 49 | | | 465 |

In the table above, the future policy related liabilities for with-profits life business and with-profits pensions business have been split in proportion to the with-profits benefits reserves.

### (2) Correspondence With Form 19

The above reconciles to lines 31 and 49 of Form 19.

### (3) With-Profits Benefits Reserves Below De Minimis Limit

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

### (4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business.

# 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

## (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis. Whilst the asset shares have been calculated using individual data in all cases, the method used for unitised with-profits (including Whole Life With-Profits Bond) has been the application, to the individual data, of a factor (the ratio of asset share to face value of units) which has been calculated by reference to grouped / sample data. This is consistent with the way the business is operated in practice

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

## (2) Significant Changes To Valuation Method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

## (3) Expense Allocation

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

(b) Expense investigations are carried out annually.

(c)

| | Item | £m |
|---|---|---|
| (i) | Initial Expenses | Nil |
| (ii) | Maintenance Expenses | 6.9 |
| (iii) | Investment Expenses | 3.8 |
| (iv) | Method | Average expense charge deducted |
| (iv) | Expenses charged other than to with-profits benefits reserve | 14.7 |

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

Investment expenses were deducted from the with-profits benefits reserve at the following rates.

| Product Group | Current Valuation | Previous Valuation |
|---|---|---|
| UWP Bond 4 & Lifestyle Bond | 0.109% | 0.109% |
| Conventional and UWP Pensions | 0.162% | 0.162% |

The investment expenses for life fund business have been netted down for policyholder tax at 20%.

## (4) Significant Charges

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

| | Current Valuation | Previous Valuation |
|---|---|---|
| | £m | £m |
| Charges for guarantees and smoothing | 0.0 | 1.6 |
| Net losses on non-profit business | (4.3) | (60.3) |
| Proportion of up-front outsourcing costs attributable to the period | 0.0 | 0.0 |
| Write-off of initial spreads on derivative contracts | 0.0 | 0.0 |

## (5) Charges For Non-Insurance Risk

Not applicable.

## (6) Ratio Of Claims To Reserves

Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve, for the following specimen products and terms:

| | Endowment Policies | Regular Premium Personal Retirement Plan | Single Premium Personal Retirement Plan | Regular Premium Retirement Plan | Single Premium Retirement Plan |
|---|---|---|---|---|---|
| 1/1/2011 to 30/06/2011 | | | | | |
| 10 year term | 100 | 100 | 121 | 100 | 131 |
| 15 year term | 100 | 100 | 114 | 100 | 129 |
| 20 year term | 100 | 100 | 100 | 104 | 100 |
| 25 year term | 100 | 100 | 114 | 104 | 113 |
| | | | | | |
| 1/7/2011 to 31/12/2011 | | | | | |
| 10 year term | 100 | 100 | 107 | 100 | 117 |
| 15 year term | 100 | 100 | 113 | 100 | 132 |
| 20 year term | 100 | 99 | 100 | 100 | 88 |
| 25 year term | 100 | 100 | 103 | 106 | 106 |
| | | | | | |
| 1/1/2012 to 30/06/2012 | | | | | |
| 10 year term | 100 | 100 | 103 | 100 | 113 |
| 15 year term | 100 | 100 | 123 | 100 | 145 |
| 20 year term | 100 | 100 | 100 | 100 | 101 |
| 25 year term | 100 | 101 | 101 | 103 | 103 |
| | | | | | |
| 1/7/2012 to 31/12/2012 | | | | | |
| 15 year term | 100 | 100 | 119 | 99 | 143 |
| 20 year term | 100 | 100 | 100 | 100 | 100 |
| 25 year term | 100 | 100 | 98 | 98 | 100 |
| 30 year term | 98 | 100 | 100 | 98 | 105 |
| | | | | | |
| 1/1/2013 to 30/06/2013 | | | | | |
| 15 year term | 100 | 100 | 123 | 100 | 148 |
| 20 year term | 100 | 100 | 101 | 100 | 103 |
| 25 year term | 100 | 100 | 100 | 100 | 100 |
| 30 year term | 100 | 100 | 100 | 100 | 100 |
| | | | | | |
| 1/7/2013 to 31/12/2013 | | | | | |
| 15 year term | 99 | 100 | 121 | 100 | 159 |
| 20 year term | 100 | 100 | 100 | 100 | 102 |
| 25 year term | 100 | 100 | 100 | 100 | 100 |
| 30 year term | 100 | 100 | 100 | 100 | 100 |

Payouts on surrenders are based on the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve.

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

| Year | Ratio of claims to asset shares |
|---|---|
| Previous year -1 | 100.00% |
| Previous year | 100.00% |
| Current year | 100.00% |

### (7) Allocated Return

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

The average rates of investment return (before tax) added are:

| Product Type | Gross Investment Return |
|---|---|
| Conventional Life | 9.2 % |
| Conventional Pensions | 8.6 % |
| UWP Bonds | 12.3 % |
| UWP Pensions | 8.5 % |
| Profit Plus Fund | 8.7 % |

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

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

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

- The bonus rates are the supportable bonus rates determined from the relevant product, and
- The economic assumptions are consistent with the supportable bonus rates

The supportable bonus rates are determined using one of the sets of economic assumptions that the company uses for illustrative projections on the business. Hence, the risk free rates are not directly relevant to the calculation of the prospective with-profits benefits reserves.

The assumptions underlying this method are as follows:

<u>With-Profits Whole Life Business</u>

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

| | |
|---|---|
| **Economic Assumptions** | |
| Discount Rate p.a. (net of investment expense) | 4.36% |
| Investment Return p.a. (net of investment expense) | 4.36% |
| **Expense Assumptions** | |
| Investment Expense p.a. | 0.14% |
| Per Policy Expenses p.a. | £57.49 |
| Expense Inflation p.a. | 3.88% |
| **Bonus Assumptions** | |
| Reversionary Bonuses | |
| On Basic Sum Assured | 0.25% |
| On Accrued Bonuses | 0.25% |

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

Sample terminal bonus rates are as follows:

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 | 2044 | 2049 | 2054 |
|---|---|---|---|---|---|---|---|---|---|
| 5 | 16.2% | 0.0% | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 10 | 29.9% | 0.0% | 0.0% | n/a | n/a | n/a | n/a | n/a | n/a |
| 15 | 51.5% | 56.2% | 13.9% | 0.0% | n/a | n/a | n/a | n/a | n/a |
| 20 | 34.8% | 74.9% | 74.3% | 0.0% | 0.0% | n/a | n/a | n/a | n/a |
| 25 | 47.5% | 53.9% | 101.1% | 78.1% | 0.0% | 0.0% | n/a | n/a | n/a |
| 30 | 74.4% | 77.0% | 79.3% | 103.7% | 93.4% | 0.0% | 0.0% | n/a | n/a |
| 35 | 94.8% | 112.1% | 115.9% | 105.2% | 167.1% | 64.5% | 0.0% | 0.0% | n/a |
| 40 | 174.6% | 123.5% | 158.7% | 130.6% | 138.9% | 148.7% | 82.5% | 0.0% | 0.0% |

No lapses were assumed in the calculation of the prospective reserves.

Paid-Up With-Profits Pensions Business

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

| **Economic Assumptions** | |
|---|---|
| Discount Rate p.a. (net of investment expense) | 5.34% |
| Investment Return p.a. (net of investment expense) | 5.34% |
| **Expense Assumptions** | |
| Investment Expense p.a. | 0.16% |
| Per Policy Expenses p.a. | £57.49 |
| Expense Inflation p.a. | 4.55% |
| **Bonus Assumptions** | |
| Reversionary Bonuses | |
| On Basic Sum Assured | 0.20% |
| On Accrued Bonuses | 0.20% |

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

Sample terminal bonus rates are as follows:

Personal Retirement Plan

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 | 2044 | 2049 | 2054 |
|---|---|---|---|---|---|---|---|---|---|
| 5 | 18.8% | 18.8% | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 10 | 30.3% | 23.7% | 23.7% | n/a | n/a | n/a | n/a | n/a | n/a |
| 15 | 37.5% | 37.2% | 28.7% | 29.2% | n/a | n/a | n/a | n/a | n/a |
| 20 | 32.6% | 51.5% | 47.4% | 37.3% | 38.1% | n/a | n/a | n/a | n/a |
| 25 | 55.8% | 48.4% | 66.7% | 59.7% | 49.6% | 50.3% | n/a | n/a | n/a |
| 30 | 62.6% | 74.6% | 66.8% | 85.1% | 76.2% | 64.3% | 66.5% | n/a | n/a |
| 35 | 77.2% | 79.0% | 93.1% | 91.0% | 111.6% | 102.7% | 91.4% | 95.6% | n/a |
| 40 | 197.0% | 88.3% | 94.9% | 110.0% | 122.0% | 152.3% | 133.9% | 124.8% | 129.6% |

Retirement Plan

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 | 2044 | 2049 | 2054 |
|---|---|---|---|---|---|---|---|---|---|
| 5 | 11.2% | 9.5% | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 10 | 20.8% | 14.1% | 12.6% | n/a | n/a | n/a | n/a | n/a | n/a |
| 15 | 17.2% | 22.4% | 13.9% | 13.4% | n/a | n/a | n/a | n/a | n/a |
| 20 | 15.6% | 27.3% | 23.4% | 17.9% | 17.3% | n/a | n/a | n/a | n/a |
| 25 | 34.1% | 26.1% | 27.4% | 35.6% | 25.6% | 25.2% | n/a | n/a | n/a |
| 30 | 64.0% | 49.1% | 32.6% | 50.8% | 53.1% | 43.5% | 45.3% | n/a | n/a |
| 35 | 81.7% | 73.9% | 40.0% | 59.9% | 75.7% | 73.6% | 66.0% | 69.2% | n/a |
| 40 | 121.2% | 91.0% | 74.6% | 101.7% | 95.8% | 148.6% | 112.9% | 97.4% | 101.3% |

No lapses were assumed in the calculation of the prospective reserves.

**Expenses**

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. Compared to the previous MSA agreement the new service fees are higher and the new MSA uplift in the fee inflation is lower. In addition the new service fees incorporate the cost of several additional services that were previously paid to an outsourced services provider on a fixed charge basis.

The new MSA specifies fee inflation to be RPIX +1.0% at 1 January each year. The previous MSA agreement allowed for fee inflation at RPIX +3.8%.

### (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.

| | Cost of Guarantees & Options | Smoothing Cost | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|---|
| All Business | Stochastic model | Deterministic calculation | All business | 123,707 | 3,798 |

(a) Cost of Guarantees & Options

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

(i) Guaranteed annuity option reserves
(ii) The reserves required in addition to asset share to meet guaranteed benefits
(iii) Future retentions at maturity where payouts of less than 100% of asset share are being targeted (this applies to the risk capital margin only)
(iv) Future profits and losses where amounts payable upon surrender are less or more than asset share

The calculations were carried out using a risk neutral approach.

Early Retirements

For Personal Retirement Policies the stochastic model does not allow for lapses in the period from the earliest possible retirement age up to normal retirement date. Such contracts allow benefits to be taken, with a guaranteed annuity rate at any age after 50 (60 for some earlier series). The use of a nil lapse rate after age 50 is considered to make suitable allowance for this early retirement option. For Retirement Plans a guaranteed annuity rate is not available on early retirements.

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

The assumption is made that policyholders elect to take a proportion of their benefits as cash where permitted.

Cost of Smoothing

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

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

Actual payouts at the valuation date are compared with target payouts.

Where there is currently an overpayment relative to the target, the assumption is made that payouts will be cut at 4 monthly intervals, the first cut being 4 months after the valuation date. The assumption is that payouts can be cut by up to 5% at any one change and 15% over 12 months until the target is reached. Projected maturity payouts are obtained for this calculation.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) For each product type separate model points are initially created for each combination of year of commencement and year of maturity. For unitised with-profits bonds the split is by commencement month.

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

The initial model point files outlined above are then more heavily grouped to improve the run times in the stochastic model by amalgamating some of the smaller model points that were not making a significant contribution to the overall results. In order to test that this heavier grouping did not materially affect the results, 3,000 simulations were run at both levels of grouping and the impact on the estate at year end was 1.04%.

One class of group unitised with-profits pensions business representing approximately 7% of with-profits liabilities is modelled as if it was an equivalent amount of similar individual pensions business.

Guaranteed annuity option liabilities were calculated assuming that all lives are male. This approach is conservative given the mortality tables used in the valuation and the nature of the guarantees given.

## (3) Significant Changes

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

## (4) Further Information on Stochastic Approach

(a) (i) The guarantees and options being valued using a full stochastic approach are described in paragraph 6 (2) (a) above. The following tables give an indication of the extent to which the guarantees are in or out of the money at the valuation date. The table shows the percentage of the with-profits benefits reserve (including miscellaneous profits and losses) for each product that falls within each band. The bands are defined below.

| % Asset Share | Band A | Band B | Band C | Band D |
|---|---|---|---|---|
| Endowments & Whole Life | 0.1% | 0.0% | 0.0% | 99.9% |
| Direct Written Pre 1997 Bonds | 0.0% | 0.0% | 0.0% | 100.0% |
| Conventional Pensions | 2.3% | 0.4% | 1.4% | 95.9% |
| Unitised With Profit Pensions | 0.0% | 0.0% | 0.0% | 100.0% |
| UWPB – Strong Guarantee | 0.0% | 0.0% | 0.0% | 100.0% |
| – Weak Guarantee | 0.0% | 0.0% | 0.0% | 100.0% |

Where:

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

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

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

The calibration at the valuation date was as follows:

| Term | Govt. + 10bp | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 0.51% | 0.51% | (0) |
| 2 | 0.90% | 0.90% | (0) |
| 3 | 1.31% | 1.31% | (0) |
| 4 | 1.72% | 1.71% | (0) |
| 5 | 2.08% | 2.08% | (1) |
| 7 | 2.69% | 2.69% | (0) |
| 10 | 3.32% | 3.31% | (0) |
| 15 | 3.79% | 3.79% | (0) |
| 20 | 3.92% | 3.92% | (0) |
| 25 | 3.93% | 3.93% | (0) |

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

| Term | Market Implied Volatility | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 20.00% | 22.00% | 200 |
| 2 | 20.10% | 20.57% | 47 |
| 3 | 19.40% | 19.71% | 31 |
| 4 | 18.70% | 18.95% | 25 |
| 5 | 18.10% | 18.38% | 28 |
| 7 | 16.80% | 17.03% | 23 |
| 10 | 15.50% | 16.05% | 55 |
| 15 | 14.20% | 14.00% | (20) |
| 20 | 13.50% | 13.01% | (49) |
| 25 | 13.20% | 11.98% | (122) |
| 30 | 12.70% | 11.39% | (131) |

Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The ESG uses the SVJD and constant volatility model to calibrate the GBP & overseas equities respectively. Alternative investments are treated as UK equities.

The split between UK and overseas equities was 45%/55%. The asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

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

Market

| | Strike | | | | |
|---|---|---|---|---|---|
| Term | 0.8 | 0.9 | 1 | 1.1 | 1.2 |
| 1 | 20.50 | 17.10 | 14.30 | 13.20 | 13.00 |
| 3 | 20.10 | 18.40 | 17.00 | 15.80 | 15.00 |
| 5 | 21.20 | 20.00 | 18.90 | 17.80 | 16.90 |
| 9 | 23.40 | 22.40 | 21.60 | 20.90 | 20.20 |

Model

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | 19.29 | 16.49 | 14.01 | 11.62 | 7.69 |
| 3 | 20.15 | 18.70 | 17.27 | 15.89 | 14.56 |
| 5 | 20.19 | 19.19 | 18.22 | 17.30 | 16.45 |
| 9 | 22.22 | 21.57 | 21.00 | 20.45 | 19.93 |

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

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 15 | 24.37 | 23.85 | 23.38 | 22.94 | 22.55 |
| 20 | 25.55 | 25.12 | 24.74 | 24.40 | 24.09 |
| 25 | 26.32 | 26.03 | 25.77 | 25.55 | 25.35 |
| 30 | 27.02 | 26.76 | 26.52 | 26.28 | 26.07 |

Difference (Model – Market) %

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | (1.21) | (0.61) | (0.29) | (1.58) | (5.31) |
| 3 | 0.05 | 0.30 | 0.27 | 0.09 | (0.44) |
| 5 | (1.01) | (0.81) | (0.68) | (0.50) | (0.45) |
| 9 | (1.18) | (0.83) | (0.60) | (0.45) | (0.27) |

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

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

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

| | Output Correlations @ Year 10 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | Equities | Property | Overseas Equities | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB | 5yr Index Linked ZCB | 15yr Index Linked ZCB |
| Cash | 1 | (0.09) | (0.08) | (0.15) | (0.76) | (0.80) | (0.56) | (0.74) | (0.24) | (0.30) |
| Equities | | 1 | 0.29 | 0.72 | 0.15 | 0.13 | 0.40 | 0.25 | 0.07 | 0.14 |
| Property | | | 1 | 0.11 | 0.08 | 0.09 | 0.17 | 0.13 | 0.07 | 0.09 |
| Overseas equities | | | | 1 | 0.22 | 0.17 | 0.48 | 0.30 | 0.09 | 0.16 |
| 5yr Govt ZCB | | | | | 1 | 0.89 | 0.77 | 0.83 | 0.36 | 0.41 |
| 15yr Govt ZCB | | | | | | 1 | 0.69 | 0.94 | 0.16 | 0.30 |
| 5yr Corp ZCB | | | | | | | 1 | 0.84 | 0.26 | 0.34 |
| 15yr Corp ZCB | | | | | | | | 1 | 0.15 | 0.31 |
| 5yr Index Linked ZCB | | | | | | | | | 1 | 0.89 |
| 15yr Index Linked ZCB | | | | | | | | | | 1 |

(iii) The table below is based on 3,000 scenarios:

| | | **Asset type (all UK assets)** | **K=0.75** | | | | **K=1** | | | | **K=1.5** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.08% | 3.79% | 3.93% | 3.85% | x | x | x | x | x | x | x | x |
| 1 | | Risk-free zero coupon bond | 902,301 | 572,612 | 381,699 | 266,284 | x | x | x | x | x | x | x | x |
| 2 | | FTSE All Share Index (p=1) | 64,141 | 209,167 | 313,903 | 392,673 | 161,317 | 349,138 | 480,302 | 576,480 | 517,284 | 696,197 | 855,986 | 975,564 |
| 3 | | FTSE All Share Index (p=0.8) | 59,893 | 171,503 | 235,657 | 276,608 | 151,492 | 287,679 | 363,363 | 407,101 | 490,537 | 579,823 | 656,040 | 697,341 |
| 4 | | Property (p=1) | 56,394 | 153,535 | 232,542 | 298,323 | 171,224 | 299,723 | 398,082 | 476,530 | 547,958 | 673,863 | 783,766 | 877,036 |
| 5 | | Property (p=0.8) | 51,639 | 116,151 | 158,535 | 189,459 | 159,630 | 234,544 | 280,941 | 312,172 | 521,597 | 548,792 | 576,791 | 595,830 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 19,152 | 17,093 | 15,502 | 20,738 | 89,331 | 77,203 | 90,059 | 124,126 | 499,968 | 498,785 | 507,189 | 529,071 |
| 7 | | 15 year risk free zero coupon bond (p=0.8) | 17,059 | 9,912 | 5,584 | 4,130 | 80,476 | 42,881 | 27,655 | 24,874 | 469,700 | 343,772 | 266,961 | 233,980 |
| 8 | | 15 year risk free bonds (p=1) | 22,522 | 29,186 | 37,978 | 50,469 | 98,741 | 107,095 | 125,991 | 152,823 | 498,261 | 493,451 | 505,929 | 532,134 |
| 9 | | 15 year risk free bonds (p=0.8) | 20,109 | 17,502 | 15,624 | 17,196 | 89,588 | 65,722 | 58,260 | 56,242 | 468,315 | 346,031 | 281,833 | 251,020 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 40,124 | 152,621 | 240,771 | 315,811 | 134,885 | 284,897 | 396,873 | 486,711 | 511,176 | 637,523 | 769,618 | 874,155 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 36,625 | 118,848 | 171,310 | 211,008 | 124,613 | 225,883 | 286,134 | 329,072 | 483,651 | 516,512 | 568,640 | 602,316 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1) | 29,386 | 120,017 | 194,244 | 259,764 | 112,355 | 239,591 | 335,983 | 416,409 | 500,794 | 584,681 | 693,718 | 788,609 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8) | 26,521 | 91,213 | 134,407 | 167,383 | 102,797 | 184,946 | 234,589 | 271,787 | 471,807 | 464,511 | 498,143 | 525,584 |
| 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) | 16,365 | 73,102 | 127,635 | 180,420 | 93,071 | 180,729 | 255,032 | 323,557 | 498,299 | 538,035 | 615,245 | 690,887 |
| 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) | 14,312 | 50,950 | 79,479 | 103,827 | 83,327 | 129,133 | 162,122 | 190,775 | 468,705 | 409,973 | 414,193 | 428,813 |
| | | | | | | | | | | | | | | |
| | | | *Swap Duration = 15 years* | | | | *Swap Duration = 20 years* | | | | *Swap Duration = 25 years* | | | |
| 16 | | Receiver swaptions | 10.17% | 9.84% | 8.20% | 6.37% | 12.62% | 12.13% | 10.02% | 7.72% | 14.81% | 14.07% | 11.51% | 8.79% |

(iv) UK initial equity yield: 3.46%
UK initial property rental yield: 4.30%

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

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

| Term to maturity (years) | Guaranteed Benefit (Policies with no GAR) £m | Guaranteed Benefit (Policies with GAR) £m | No MVA Guarantee £m |
|---|---|---|---|
| | A | B | C |
| 1-5 | 435 | 103 | 0 |
| 6-10 | 317 | 116 | 0 |
| 11-15 | 278 | 66 | 2 |
| 16-20 | 233 | 31 | 6 |
| 21-25 | 100 | 10 | 10 |
| 26-30 | 20 | 0 | 42 |

Specimen cash option rates per £100 p.a. pension for annuities guaranteed five years and payable monthly in advance:

| | | Cash Option £ | |
|---|---|---|---|
| | **Retirement Age** | **Male** | **Female** |
| Retirement Plan | 60 | 1,000 | 1,100 |
| | 65 | 900 | 1,000 |
| | 70 | 800 | 900 |

Specimen minimum rates per £1,000 cash for annuities with no guarantee period and payable yearly in arrears:

| | | Annuity £ p.a. | |
|---|---|---|---|
| | **Retirement Age** | **Male** | **Female** |
| Personal Retirement Plan | 60 | 77.24 | 67.77 |
| | 65 | 89.98 | 76.79 |
| | 70 | 108.28 | 89.64 |
| | 75 | 128.88 | 104.03 |

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

(vii) Comprehensive tests are carried out on the output produced by the Barrie & Hibbert asset model as follows:

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

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and

30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

Zero coupon bond yields calculated from the model cash output have been verified to match 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 verification has been made, 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.

Verification has also been made, within acceptable limits, that implied volatilities calculated from the simulation model output reproduce the market volatility term structure for 20 year at the money swaptions.

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

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 1.39% 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, 2.06% of these prices.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

(a) No scenario specific management actions are assumed to take place in the stochastic model. However the model allows for the investment strategy as follows:

a) Sales of property and equity during the next valuation year to bring the actual asset mix into balance with the strategic target.

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

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

d) Reduction in equity/property backing ratios as policies near their guarantee date for all products except the weak guarantee Unitised With-Profits Bonds.

e) Policy classes are assumed not to move from the guarantee-related asset mix band to which they are allocated at the valuation date, although in practice some changes will occur in more extreme stochastic scenarios.

Existing market value adjustment policy will continue to be applied, i.e. market value adjustments are allowed for on surrender of unitised with-profits business, but with a “floor” based on a discounted value of the no market value adjustment guarantee.

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

Future miscellaneous surplus will be nil.

(b) The following table shows the equity backing ratio at the valuation date and best estimate equity backing ratio in 5 years and 10 years time for the following scenarios, together with the reversionary bonus rates for the accumulating with-profits business:

(i) The investment return on all assets over the relevant period is based on the forward rates derived from the risk-free interest rate curve as calibrated to at the valuation date;

(ii) As for (i) but with the risk-free interest rate curve increased across the period by 17.5% of the long-term gilt yield;

(iii) As for (i) but with the risk-free interest rate curve decreased across the period by 17.5% of the long-term gilt yield;

| | | **Current Valuation Date** | **Current Valuation Date Plus 5 years** | **Current Valuation Date Plus 10 years** |
|---|---|---|---|---|
| % UK & Overseas Equities | i | 45% | 48% | 45% |
| | ii | Unchanged | Unchanged | Unchanged |
| | iii | Unchanged | Unchanged | Unchanged |
| Reversionary bonus rates on accumulating with-profits | | | | |
| Unitised With-Profits Bond | i | Strong Guarantee 0.5%<br>Weak Guarantee 1.0% | Strong Guarantee 0.5%<br>Weak Guarantee 1.0% | Strong Guarantee 0.5%<br>Weak Guarantee 1.0% |
| | ii | Nil | Nil | Nil |
| | iii | Nil | Nil | Nil |
| Unitised With-Profits Pensions | i | 1.5% | 1.5% | 1.5% |
| | ii | Nil | Nil | Nil |
| | iii | Nil | Nil | Nil |
| PPF | i | 0.1% | 0.1% | 0.1% |
| | ii | Nil | Nil | Nil |
| | iii | Nil | Nil | Nil |

## (6) Persistency Assumptions

The surrender and paid-up assumptions are:

| Product | | Average surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | **1-5** | **6-10** | **11-15** | **16-20** |
| CWP savings endowment | Surrender | 10.40% | 11.80% | 5.00% | 5.00% |
| CWP target cash endowment | Surrender | 10.40% | 11.80% | 5.00% | 5.00% |
| UWP bond | Surrender | 3.60% | 10.40% | 10.00% | 10.00% |
| UWP bond | Automatic withdrawals | see below | see below | see below | see below |
| CWP pension regular premium | PUP | 3.00% | 3.00% | 3.00% | 3.00% |
| CWP pension regular premium | Surrender | 4.00% | 4.00% | 3.00% | 3.00% |
| CWP pension single premium | Surrender | 7.00% | 7.00% | 4.00% | 4.00% |
| UWP individual pension regular premium | PUP | 5.00% | 5.00% | 5.00% | 5.00% |
| UWP individual pension regular premium | Surrender | 5.00% | 6.60% | 4.00% | 4.00% |
| UWP individual pension single premium | Surrender | 2.00% | 2.00% | 2.00% | 2.00% |

For Personal Retirement Plans the assumption is that there will be no surrenders after age 50 on the grounds that they would then be able to take their retirement benefits.

Policies that are taking automatic withdrawals are assumed to continue to do so at the current rates.

Current and future paid-up policies are assumed to lapse at the same rate as premium paying policies.

For Personal Retirement Plans lives under age 65 at the valuation date are assumed to retire at age 65; otherwise they are assumed to retire at 75 (or the maximum retirement age under the contract, if earlier).

There is no other allowance for early retirements.

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

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

$$Cash = Min\left(L, \max\{10\%, C \times F\} \times \left(1 - \frac{Min(t,T)}{S \times T}\right)\right)$$

where

$$F = R'^{k(j)\times 100} \times R^{(i-j-k(j))\times 100 \times (ABS\{i-j\} > semirange\ )}$$

and

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

and

$$0 \le j \le i - 1\%$$

Where variables / constants are as follows:

| | |
|---|---|
| *L* | Overall limit on cash proportion, set to 1.25 × *C* |
| *C* | Current experience assumption |
| *F* | Overall reduction factor comprising *R* and *R'* components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable. |
| *R* | Reduction factor that applies outside of central "plateau" range (Use *R*=2/3 initially) |
| *R'* | Reduction factor that applies within central "plateau" range (Use *R'*=0.9 initially) |
| *k(j)* | Interim calculation variable depending on *i*,*j*, and *semirange* |
| *semirange* | Central "plateau" assumed to apply over a range from (*i* – *semirange*) to (*i* + *semirange*). Set at 1%. |
| *T* | Time in years from the valuation date |
| *T* | Period over which a decline in cash due to longevity is recognised, making GARs more valuable (use *T*=30 initially) |
| *S* | Amount of longevity decline (*S*=3 initially so that cash declines by 1/3 over *T* years) |
| *I* | This is the average yield of a long term, i.e. 20 year, benchmark conventional gilt over the period used to set the assumption for the GAO take up rate. This was the 3 year period from 1 July 2008 to 30 June 2011 over which the average yield was 4.02%. |
| *J* | 20 year gilt rate at maturity for the particular scenario |

If *semirange* = 1% then:

$k(j)=1\% \qquad F = R'\times R^{(i-j-1\%)\times 100} \qquad i-1\% \le j \le i+1\%$

$k(j)=i-j \qquad F = R'^{(i-j)\times 100} \qquad i+1\% \le j$

$k(j)=-1\% \qquad F = R'^{-1}\times R^{(i-j+1\%)\times 100}$

Note that the 20 year interest rate is the assumed reference point for the annuity rates.

As an example, policies that are maturing on the valuation date would have a cash proportion of 43% for PRP products and 38% for RP products.

Annuitant Mortality

The mortality assumption for annuities in payment and annuities in possession arising from the exercising of guaranteed annuity options is the same as that described in Appendix 9.4, paragraph 4 (4).

### (7) Policyholders' Actions

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

## 7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

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

| | £m |
|---|---|
| Future projects and issues | 3.4 |
| Solvency II | 2.5 |
| Actuarial Systems Transformation Reconciliations * | (52.3) |
| Outsourcer Expenses Risk Transfer | 10.5 |
| Asset Management Services | 3.3 |
| Other ** | 8.1 |
| Total | (24.5) |

* As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

** Consisting of: Mortgage Endowment Review, GAO redress, PLP claims, costs falling outside MSAs, IBNR, overdue claims, Strachan, Corporation Tax step change and Suspended Annuities

## 9. REALISTIC CURRENT LIABILITIES

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

| | £m |
|---|---|
| Regulatory current liabilities | 1,572.9 |
| Realistic current liabilities | 1,572.9 |

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities rise by 20% and real estate falls by 12.5%. The equity up and the property down were the more onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.53%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the more onerous scenario.

(iii) The average change in spread is 2.20%. Changes in market values are:

(a) (6.76)% for bonds
(b) Not applicable
(c) Not applicable
(d) Not applicable
(e) (6)% for swaps.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 3.40%.

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

(b) (i) In the stress scenarios the following additional assumptions are made:

Reversionary bonus rates will be reduced to nil

The future projects and issues reserve will be unchanged

The impact of the combined stress will be partially offset by increasing guarantee charges. An introduction of an exit charge of 1% of asset share on terminations is assumed.

Furthermore, it is assumed that the planned benefit enhancements will be decreased by £200.9m, resulting in £nil risk capital under the stressed conditions.

These actions are consistent with the PPFM and investment strategy.

(ii) The effect on the risk capital margin of assuming reduced reversionary bonuses is a reduction of £9.5m and of introducing a 1% exit charge is a reduction of £0.7m.

(iii) No changes would apply to the table in paragraph 6 (5) (b) if the management actions were taken

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

(c)

(i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.

(ii) The scheme for the funds merger as at 31 December 2008 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

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

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

## 12. DERIVATIVES

At the valuation date the fund had a number of significant positions in interest rate swaps, swaptions and spreadlocks.

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

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

The interest rate swaptions are held in respect of the guaranteed annuity rate liabilities. Receiver swaptions are held to cover part of the guaranteed annuity rate liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the with-profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments. The quantum of swaptions held is based on a prudent assessment of future guaranteed annuity rate liabilities taking account of expected future lapse rates and take up rates. The duration and tenor of the swaptions corresponds broadly with the liabilities. The strike rates for the payer swaptions vary according to the rate at which it is expected the cash option will become more valuable than the guaranteed annuity rate allowing for future improvements in mortality.

The fund holds a small amount of exchange traded equity futures to assist efficient portfolio management. The fund holds currency futures to hedge currency risk on overseas bonds.

The swaps, swaptions and spreadlocks are wholly sterling denominated. As at the valuation date, the type and value of derivatives held are as follows:

| Derivative | £m |
|---|---:|
| Swaps | (10.1) |
| Swaptions | 27.0 |
| Spreadlocks | (40.3) |
| Currency Futures | 2.7 |
| Fixed Interest Futures | 1.5 |
| Equity Futures | 0.2 |

The counterparties to the swaps, swaptions and spreadlocks are approved credit institutions. Variation margin (collateral) arrangements are in place under both the swaps and swaptions. In addition the swaps provide for initial margins by both parties.

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| **Opening working capital** | **0.0** |
| Write back planned benefit enhancements to zeroise working capital | 294.7 |
| **Revised opening working capital** | **294.7** |
| Opening adjustments | (4.0) |
| **Restated opening working capital** | **290.8** |
| Investment return on working capital | 9.3 |
| Mismatch profits and losses | 0.0 |
| Assumption changes | |
| - Non-economic | 5.1 |
| - Economic | 0.0 |
| - Policyholder actions | 0.0 |
| Impact of new business | 0.0 |
| Other Variances | |
| - Estate Distribution | (33.0) |
| - Non-economic | (18.4) |
| - Economic | 22.4 |
| - Changes in provisions | 52.3 |
| - Unexplained | 1.1 |
| **Closing working capital before zeroisation** | **329.5** |
| Planned benefit enhancements to distribute estate | (340.5) |
| Impact of planned enhancement on future policy related liabilities | 10.9 |
| **Closing working capital** | **0.0** |

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

| **£m** | **Current Valuation** | **Previous Valuation** |
|---|---|---|
| Future projects and issues | 3.4 | 3.9 |
| Solvency II | 2.5 | 1.7 |
| Actuarial Systems Transformation Provision | 0.0 | 0.9 |
| Actuarial Systems Transformation Reconciliations * | (52.3) | 0.0 |
| Outsourcer Expenses Risk Transfer | 10.5 | 11.4 |
| Asset Management Services | 3.3 | 4.3 |
| Other ** | 8.1 | 11.2 |
| Total | (24.5) | 33.4 |

* As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

** Consisting of: Mortgage Endowment Review, GAO redress, PLP claims, costs falling outside MSAs, IBNR, overdue claims, Strachan, Corporation Tax step change and Suspended Annuities.

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Accounting Liabilities | 1,572.9 | 1,987.6 |
| Future Tax Profit | 0.0 | (9.1) |
| Additional Tax on Shareholders' Transfers | 0.0 | 1.7 |
| Total | 1,572.9 | 1,980.2 |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

# SAL 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 | 3.55 | 2.88 |
| Expense inflation | 4.55 | 3.88 |

The margin over the RPI inflation is 1%, which is the same as 2012.

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

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

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

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

| | Risk Free Rate | |
|---|---|---|
| Term (years) | Current Valuation | Previous Valuation |
| 1 | 0.51% | 0.32% |
| 2 | 0.90% | 0.43% |
| 3 | 1.31% | 0.60% |
| 4 | 1.72% | 0.80% |
| 5 | 2.08% | 1.01% |
| 6 | 2.41% | 1.22% |
| 7 | 2.69% | 1.43% |
| 8 | 2.94% | 1.63% |
| 9 | 3.14% | 1.82% |
| 10 | 3.32% | 1.99% |
| 12 | 3.57% | 2.31% |
| 15 | 3.79% | 2.70% |
| 20 | 3.92% | 3.18% |
| 25 | 3.93% | 3.49% |

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

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

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

Not applicable.

### (3) With-Profits Benefits Reserves Below de Minimis Limit

Not applicable.

### (4) Different Sets of Assumptions

Not applicable.

## 3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

### (1) Calculation of With-Profits Benefits Reserve

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| With-profits – Whole Life | Prospective | 29 | 2 |
| With-profits – Other Life | Retrospective | 452 | 32 |
| With-profits – Pensions (Regular and Single Premium): Libra policies | Retrospective | 979 | 293 |
| With-profits – Pensions (Paid-Up): Libra Policies | Prospective | 222 | 66 |
| With-profits – Pensions (Regular and Single Premium): non-Libra policies | Retrospective | 638 | 191 |
| With-profits – Pensions (Paid-Up): non-Libra Policies | Prospective | 291 | 87 |
| UWP Life | Retrospective | 37 | 3 |
| Other | | 3 | 0 |
| Total | | 2,651 | 673 |
| Form 19 Line 31 | | 2,651 | |
| Form 19 Line 49 | | | 673 |

In the table above, the future policy related liabilities total £673m. This is made up of £34m for with-profits life business, £636m for with-profits pensions business and £3m for UWP life business.

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

### (2) Correspondence with Form 19

The above reconciles to lines 31 and 49 of Form 19.

### (3) With-Profits Benefit Reserves Below de minims Limit

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

### (4) Types Of Products

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

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

## 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

### (1) Retrospective Methods

(a), (b)

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

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

### (2) Significant Changes To Valuation Methods

No significant changes.

### (3) Expense Allocation

(a) The previous expense investigation was carried out in the fourth quarter of 2013.

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

(c)

| | Item | £m |
|---|---|---|
| (i) | Initial Expenses | Nil |
| (ii) | Maintenance Expenses | 8.9 |
| (ii) | Investment Expenses | 3.8 |
| (iii) | Method | Average expense charge deducted |
| (iv) | Expenses charged other than to with-profits benefits reserve | 13.1 |

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

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

## (4) Significant Charges

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

| | 2013 | 2012 |
|---|---|---|
| | £m | £m |
| Net losses on non-profit business | 4.4 | (27.9) |
| Charges for guarantees and smoothing | 0.0 | 48.8 |

## (5) Charges For Non-Insurance Risk

Not applicable.

## (6) Ratio Of Claims To Reserves

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

| | Endowment Policies | Regular Premium Personal Pension Plan | Single Premium Personal Pension Plan | Regular Premium Executive Benefits Plan | Single Premium Executive Benefits Plan |
|---|---|---|---|---|---|
| 1/1/2011 to 30/06/2011 | | | | | |
| 10 year term | 100* | 115* | 100* | 100* | 159* |
| 15 year term | 106* | 121* | 154* | 103* | 146* |
| 20 year term | 102* | 122* | 131* | 121* | 132* |
| 25 year term | 100* | | | | |
| | | | | | |
| 1/7/2011 to 31/12/2011 | | | | | |
| 10 year term | N/A | 117* | 93* | 105* | 162* |
| 15 year term | 102* | 121* | 138* | 109* | 167* |
| 20 year term | 100* | 124* | 139* | 110* | 145* |
| 25 year term | 100* | 127* | 159* | 113* | 158* |
| | | | | | |
| 1/1/2012 to 30/06/2012 | | | | | |
| 10 year term | N/A | 119* | 100 | 106* | 165* |
| 15 year term | 101* | 122* | 151* | 112* | 184* |
| 20 year term | 100 | 128* | 150* | 115* | 156* |
| 25 year term | 100 | 131* | 168* | 119* | 167* |
| | | | | | |
| 1/7/2012 to 31/12/2012 | | | | | |
| 10 year term | N/A | N/A | N/A | N/A | N/A |
| 15 year term | 100 | 111* | 145* | 100 | 173* |
| 20 year term | 100 | 113* | 145* | 119* | 148* |
| 25 year term | 100 | 123* | 159* | 114* | 137* |
| | | | | | |
| 1/1/2013 to 30/06/2013 | | | | | |
| 10 year term | N/A | N/A | N/A | N/A | N/A |
| 15 year term | 100 | 105* | 146* | 100 | 175* |
| 20 year term | 100 | 110* | 149* | 117* | 160* |
| 25 year term | 100 | 120* | 158* | 115* | 145* |
| | | | | | |
| 1/7/2013 to 31/12/2013 | | | | | |
| 10 year term | N/A | N/A | N/A | N/A | N/A |
| 15 year term | 100 | 105 | 100 | 100 | 176 |
| 20 year term | 100 | 109 | 143 | 103 | 155 |
| 25 year term | 100 | 111 | 141 | 120 | 169 |
| 30 year term | 100 | 110 | 102 | 109 | 105 |
| 35 year term | 100 | | | 100 | 100 |

* Denotes that a zero terminal bonus rate applied

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

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

| Year | Ratio of claims to asset shares |
|---|---|
| Previous year -1 | 94% to 100% |
| Previous year | 95.5% to 100% |
| Current year | 100.00% |

### (7) Allocated Return

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

The average rates of investment return (before tax) added for the year to 31 December 2013 are:

| Product Type | Investment Return |
|---|---|
| Conventional Life | 7.15% |
| Conventional Pensions | 8.30% |
| UWP Bond and Group Pension | 11.62% |
| Other UWP Life | 11.62% |

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

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

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

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

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

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

| **Economic Assumptions** | |
|---|---|
| Discount rate p.a. | 2.40% |
| Investment Return p.a. | 2.40% |
| **Expense Assumptions** | |
| Investment Expense p.a. | 0.10% |
| Per policy Expenses p.a. | £63.66 |
| Expense Inflation p.a. | 4.33% |
| **Bonus Assumptions** | |
| Reversionary Bonuses | |
| On Basic Sum Assured | 0.10% |
| On accrued bonuses | 0.10% |

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

Sample terminal bonus rates are as follows:

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 | 2044 | 2049 |
|---|---|---|---|---|---|---|---|---|
| **10** | 8.0% | 7.0% | | | | | | |
| **15** | 14.0% | 20.0% | 1.2% | | | | | |
| **20** | 21.0% | 31.1% | 15.7% | 0.0% | | | | |
| **25** | 30.0% | 32.2% | 26.4% | 0.9% | 0.0% | | | |
| **30** | 68.0% | 49.9% | 34.4% | 13.3% | 3.1% | 0.0% | | |
| **35** | 172.0% | 90.3% | 53.3% | 29.9% | 17.5% | 0.0% | 0.0% | |
| **40** | 403.0% | 224.2% | 118.1% | 49.8% | 41.2% | 14.7% | 0.0% | 0.0% |

There are no lapses.

<u>Paid-Up With-Profits Pensions Business</u>

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

| **Economic Assumptions** | |
|---|---|
| Discount rate p.a. | 3.13% |
| Investment Return p.a. | 3.13% |
| **Expense Assumptions** | |
| Investment Expense p.a. | 0.125% |
| Per policy Expenses p.a. | £63.66 |
| Expense Inflation p.a. | 4.33% |
| **Bonus Assumptions** | |
| Reversionary Bonuses | |
| On personal pension deferred annuities | 0.10% |
| On other products | 0.05% |

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

Sample terminal bonus rates are as follows:

Personal Pension Plan

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 | 2044 | 2049 |
|---|---|---|---|---|---|---|---|---|
| 5 | 0.0% | | | | | | | |
| 10 | 0.0% | 0.0% | | | | | | |
| 15 | 0.0% | 0.0% | 0.0% | | | | | |
| 20 | 0.0% | 0.0% | 0.0% | 0.0% | | | | |
| 25 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | | |
| 30 | N/A | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | | |
| 35 | N/A | N/A | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| 40 | N/A | N/A | N/A | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Executive Benefit Plan

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 | 2044 | 2049 |
|---|---|---|---|---|---|---|---|---|
| 5 | 13.5% | | | | | | | |
| 10 | 9.3% | 6.1% | | | | | | |
| 15 | 9.2% | 6.3% | 0.0% | | | | | |
| 20 | 0.0% | 8.7% | 0.0% | 0.0% | | | | |
| 25 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | | |
| 30 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | |
| 35 | 15.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| 40 | 0.0% | 39.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Personal Pension Plan (Deferred Annuity)

| Elapsed Term in Years | 2014 | 2019 | 2024 | 2029 |
|---|---|---|---|---|
| 25 | N/A | | | |
| 30 | N/A | N/A | | |
| 35 | 96.2% | N/A | N/A | |
| 40 | 102.4% | 49.7% | N/A | N/A |

There are no lapses.

**Expenses (in respect of outsourcer expenses)**

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. Compared to the MSA at the 2009 valuation the new service fees are higher and the new MSA uplift in the fee inflation is lower. In addition the new service fees incorporate the cost of several additional services that were previously paid to an outsourced services provider on a fixed charge basis.

The new MSA specifies fee inflation to be RPIX +1.0% at 1 January each year. The MSA at the 2009 valuation allowed for fee inflation at RPIX +3.80%.

## (2) Different Sets of Assumptions

Not applicable.

# 6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

## (1) De Minimis Limit

Not applicable.

## (2) Valuation Methods For Guarantees etc

| | Cost of Guarantees & Options | Smoothing Cost | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|---|
| All Business | Stochastic model | Deterministic calculation | All business | 127,604 | 4,500 |

(a) Cost of Guarantees & Options

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

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

The calculations were carried out using a risk neutral approach.

Format of the Guaranteed Annuity Rates (GARs)

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

| Product | Weighting Factor |
|---|---|
| Fowler PPP (non DSS) | 93% |
| Fowler PPP (DSS) | 91% |
| Transfer Plan | 88% |
| Executive Benefit Plan | 92% |
| Pension Reserve | 87% |
| Retirement Security Plan | 93% |
| Additional Pension Plan | 94% |
| PPP '81 | 92% |

Early Retirements

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

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

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

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

Cost of Smoothing

A cost of smoothing only arises if the proposed bonus rates are above 0% and the payout ratio for the product is above 100%; i.e. an extra cost (cost of smoothing) is incurred as the positive terminal bonus rates are leading to maturity payments above the asset share values. If this was the case, then a deterministic model run is required to produce the future maturity cashflows with allowance for the proposed bonus rates to calculate the cost of smoothing.

At 31 December 2013, for all products where the proposed bonus rates are above 0%, the payout ratio is 100% and where the payout ratios are above 100%, the bonus rates are nil – i.e. the maturity payments are no more than the asset share values. Therefore, there is no cost of smoothing for any products and there is no need to determine the future projected maturity cashflows.

(b) (i) None

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

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

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

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

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

## (3) Significant Changes

There have been no significant changes since the previous valuation.

## (4) Further Information on Stochastic Approach

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

| % Asset Share | Band A | Band B | Band C | Band D |
|---|---|---|---|---|
| Endowments & Whole Life | 0.4% | 0.1% | 0.2% | 99.3% |
| Conventional Pensions | 25.1% | 2.8% | 2.5% | 69.6% |
| Unitised With Profit Bond | 0.0% | 0.0% | 0.0% | 99.9% |

Where:

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

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Fixed Interest

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

The calibration at the valuation date was as follows:

| Term | Govt. + 10bp | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 0.51% | 0.51% | (0) |
| 2 | 0.90% | 0.90% | (0) |
| 3 | 1.31% | 1.31% | (0) |
| 4 | 1.72% | 1.71% | (0) |
| 5 | 2.08% | 2.08% | (1) |
| 7 | 2.69% | 2.69% | (0) |
| 10 | 3.32% | 3.31% | (0) |
| 15 | 3.79% | 3.79% | (0) |
| 20 | 3.92% | 3.92% | (0) |
| 25 | 3.93% | 3.93% | (0) |

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

| Term | Market IV | Model | Difference (Model - Market) bp |
|---|---|---|---|
| 1 | 20.00% | 22.00% | 200 |
| 2 | 20.10% | 20.57% | 47 |
| 3 | 19.40% | 19.71% | 31 |
| 4 | 18.70% | 18.95% | 25 |
| 5 | 18.10% | 18.38% | 28 |
| 7 | 16.80% | 17.03% | 23 |
| 10 | 15.50% | 16.05% | 55 |
| 15 | 14.20% | 14.00% | (20) |
| 20 | 13.50% | 13.01% | (49) |
| 25 | 13.20% | 11.98% | (122) |
| 30 | 12.70% | 11.39% | (131) |

UK Equities

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

The split between UK and overseas equities was 50%/50%.

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

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

Market

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | 20.50 | 17.10 | 14.30 | 13.20 | 13.00 |
| 3 | 20.10 | 18.40 | 17.00 | 15.80 | 15.00 |
| 5 | 21.20 | 20.00 | 18.90 | 17.80 | 16.90 |
| 9 | 22.40 | 22.40 | 21.60 | 20.90 | 20.20 |

Model

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | 19.29 | 16.49 | 14.01 | 11.62 | 7.69 |
| 3 | 20.15 | 18.70 | 17.27 | 15.89 | 14.56 |
| 5 | 20.19 | 19.19 | 18.22 | 17.30 | 16.45 |
| 9 | 22.22 | 21.57 | 21.00 | 20.45 | 19.93 |

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

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 15 | 24.37 | 23.85 | 23.38 | 22.94 | 22.55 |
| 20 | 25.55 | 25.12 | 24.74 | 24.40 | 24.09 |
| 25 | 26.32 | 26.03 | 25.77 | 25.55 | 25.35 |
| 30 | 27.02 | 26.76 | 26.52 | 26.28 | 26.07 |

Difference (Model – Market) %

| | Strike | | | | |
|---|---|---|---|---|---|
| **Term** | **0.8** | **0.9** | **1** | **1.1** | **1.2** |
| 1 | (1.21) | (0.61) | (0.29) | (1.58) | (5.31) |
| 3 | 0.05 | 0.30 | 0.27 | 0.09 | (0.44) |
| 5 | (1.01) | (0.81) | (0.68) | (0.50) | (0.45) |
| 9 | (0.18) | (0.83) | (0.60) | (0.45) | (0.27) |

Property

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate Bonds

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities. The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

| | *Output Correlations @ Year 10* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | Equities | Property | Overseas Equities | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB | 5yr Index Linked ZCB | 15yr Index Linked ZCB |
| Cash | *1.00* | (0.09) | (0.08) | (0.15) | (0.76) | (0.80) | (0.56) | (0.74) | (0.24) | (0.30) |
| Equities | | 1.00 | 0.29 | 0.72 | 0.15 | 0.13 | 0.40 | 0.25 | 0.07 | 0.14 |
| Property | | | 1.00 | 0.11 | 0.08 | 0.09 | 0.17 | 0.13 | 0.07 | 0.09 |
| Overseas Equities | | | | 1.00 | 0.22 | 0.17 | 0.48 | 0.30 | 0.09 | 0.16 |
| 5yr Govt ZCB | | | | | 1.00 | 0.89 | 0.77 | 0.83 | 0.36 | 0.41 |
| 15yr Govt ZCB | | | | | | 1.00 | 0.69 | 0.94 | 0.16 | 0.30 |
| 5yr Corp ZCB | | | | | | | 1.00 | 0.84 | 0.26 | 0.34 |
| 15yr Corp ZCB | | | | | | | | 1.00 | 0.15 | 0.31 |
| 5yr Index Linked ZCB | | | | | | | | | 1.00 | 0.89 |
| 15yr Index Linked ZCB | | | | | | | | | | 1.00 |

(iii) The table below is based on 3000 scenarios

| | | **Asset type (all UK assets)** | **K=0.75** | | | | **K=1** | | | | **K=1.5** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.08% | 3.79% | 3.93% | 3.85% | x | x | x | x | x | x | x | x |
| 1 | | Risk-free zero coupon bond | 902,301 | 572,612 | 381,699 | 266,284 | x | x | x | x | x | x | x | x |
| 2 | | FTSE All Share Index (p=1) | 64,141 | 209,167 | 313,903 | 392,673 | 161,317 | 349,138 | 480,302 | 576,480 | 517,284 | 696,197 | 855,986 | 975,564 |
| 3 | | FTSE All Share Index (p=0.8) | 59,893 | 171,503 | 235,657 | 276,608 | 151,492 | 287,679 | 363,363 | 407,101 | 490,537 | 579,823 | 656,040 | 697,341 |
| 4 | | Property (p=1) | 72,009 | 181,506 | 266,033 | 334,552 | 193,238 | 333,909 | 437,668 | 518,282 | 565,988 | 710,369 | 828,216 | 924,455 |
| 5 | | Property (p=0.8) | 66,611 | 141,185 | 187,233 | 219,511 | 181,385 | 266,645 | 316,758 | 348,977 | 540,335 | 585,516 | 619,652 | 640,066 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 19,152 | 17,093 | 15,502 | 20,738 | 89,331 | 77,203 | 90,059 | 124,126 | 499,968 | 498,785 | 507,189 | 529,071 |
| 7 | | 15 year risk free zero coupon bond (p=0.8) | 17,059 | 9,912 | 5,584 | 4,130 | 80,476 | 42,881 | 27,655 | 24,874 | 469,700 | 343,772 | 266,961 | 233,980 |
| 8 | | 15 year risk free bonds (p=1) | 22,522 | 29,186 | 37,978 | 50,469 | 98,741 | 107,095 | 125,991 | 152,823 | 498,261 | 493,451 | 505,929 | 532,134 |
| 9 | | 15 year risk free bonds (p=0.8) | 20,109 | 17,502 | 15,624 | 17,196 | 89,588 | 65,722 | 58,260 | 56,242 | 468,315 | 346,031 | 281,833 | 251,020 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 42,961 | 158,214 | 247,511 | 323,121 | 140,088 | 292,048 | 405,213 | 495,388 | 514,714 | 645,544 | 779,450 | 884,596 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 39,281 | 123,681 | 176,991 | 216,925 | 129,682 | 232,458 | 293,463 | 336,493 | 487,495 | 524,589 | 578,028 | 611,712 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1) | 29,386 | 120,017 | 194,244 | 259,764 | 112,355 | 239,591 | 335,983 | 416,409 | 500,794 | 584,681 | 693,718 | 788,609 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8) | 26,521 | 91,213 | 134,407 | 167,383 | 102,797 | 184,946 | 234,589 | 271,787 | 471,807 | 464,511 | 498,143 | 525,584 |
| 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) | 17,081 | 74,914 | 130,084 | 183,279 | 94,880 | 183,537 | 258,220 | 327,112 | 498,632 | 540,324 | 618,429 | 694,583 |
| 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) | 14,976 | 52,428 | 81,309 | 105,803 | 85,091 | 131,629 | 164,864 | 193,734 | 469,135 | 412,734 | 417,703 | 432,599 |
| | | | | | | | | | | | | | | |
| | | | L=15 | | | | L=20 | | | | L=25 | | | |
| 16 | | Receiver swaptions | 10.17% | 9.84% | 8.20% | 6.37% | 12.62% | 12.13% | 10.02% | 7.72% | 14.81% | 14.07% | 11.51% | 8.79% |

(iv) UK initial equity yield: 3.46%
UK initial property rental yield: 4.30%

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

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

| Year | Guaranteed Benefit (Policies with no GAR) | Guaranteed Benefit (Policies with GAR) | PPPDA (Guaranteed Cash) |
|---|---|---|---|
| | £m | £m | £m |
| | A | B | C |
| 2014 | 122 | 111 | 1 |
| 2015 | 118 | 107 | 1 |
| 2016 | 47 | 116 | 1 |
| 2017 | 23 | 112 | 1 |
| 2018 | 22 | 120 | 2 |
| 2019 | 17 | 118 | 1 |
| 2020 | 88 | 41 | 2 |
| 2021 | 85 | 36 | 0 |
| 2022 | 83 | 32 | 0 |
| 2023 | 90 | 34 | 0 |
| 2024 | 98 | 30 | 0 |
| 2025 | 103 | 32 | 0 |
| 2026 | 100 | 35 | 0 |
| 2027 | 98 | 30 | 0 |
| 2028 | 106 | 20 | 0 |
| 2029 | 89 | 21 | 0 |
| 2030 | 85 | 22 | 0 |
| 2031 | 68 | 16 | 0 |
| 2032 | 60 | 13 | 0 |
| 2033 | 48 | 12 | 0 |
| 2034 | 38 | 8 | 0 |
| 2035 | 30 | 7 | 0 |
| 2036 | 22 | 6 | 0 |
| 2037 | 15 | 3 | 0 |
| 2038 | 6 | 3 | 0 |
| 2039 | 3 | 1 | 0 |
| 2040 | 1 | 1 | 0 |
| 2041 | 3 | 0 | 0 |
| 2042 | 2 | 0 | 0 |
| 2043 | 0 | 0 | 0 |
| 2044 | 0 | 0 | 0 |
| 2045 | 0 | 0 | 0 |
| 2046 | 1 | 0 | 0 |
| 2047 | 2 | 0 | 0 |
| 2048 | 0 | 0 | 0 |

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

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

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

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

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

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

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

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

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

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

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 1.39% 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, 2.06% of these prices.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

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

i) Re-balancing of property and equities during 2013 to bring the actual asset mix into balance with the strategic target.

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

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

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

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

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

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

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

Future miscellaneous surplus will be nil.

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

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

(b)

| % UK & Overseas Equities | | Current Valuation Date | Current Valuation Date Plus 5 years | Current Valuation Date Plus 10 years |
|---|---|---|---|---|
| | i | 36% | 41% | 39% |
| | ii | Unchanged | Unchanged | Unchanged |
| | iii | Unchanged | Unchanged | Unchanged |

| Reversionary Bonus Rates on accumulating with profits | | Current Valuation Date | Current Valuation Date Plus 5 years | Current Valuation Date Plus 10 years |
|---|---|---|---|---|
| | | p.a | p.a | p.a |
| | i | 0.5% | 0.5% | 0.5% |
| | ii | Nil | Nil | Nil |
| | iii | Nil | Nil | Nil |

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

## (6) Persistency Assumptions

The surrender and paid-up assumptions are:

| Product | | Average surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| CWP savings endowment | Surrender | 2.0% | 3.0% | 1.5% | 1.5% |
| CWP target cash endowment | Surrender | 4.0% | 4.0% | 3.5% | 3.5% |
| UWP savings endowment | Surrender | N/A | N/A | N/A | N/A |
| UWP target cash endowment | Surrender | N/A | N/A | N/A | N/A |
| UWP bond | Surrender(*) | 3.6% | 12.2% | 7.0% | 7.0% |
| UWP bond | Automatic withdrawals(**) | | | | |
| CWP Exec Pension - regular premium | PUP | 10.00% | 10.00% | 10.00% | 10.00% |
| CWP Exec Pension | Surrender | 5.00% | 5.00% | 5.00% | 5.00% |
| CWP Personal Pension - regular premium | PUP | 5.40% | 5.20% | 3.00% | 3.00% |
| CWP Personal Pension - regular premium | Surrender | 2.18% | 1.68% | 2.50% | 2.50% |
| CWP Personal Pension - single premium | Surrender | 1.20% | 1.50% | 2.25% | 2.25% |
| UWP individual pension - regular premium | PUP | N/A | N/A | N/A | N/A |
| UWP individual pension - regular premium | Surrender | N/A | N/A | N/A | N/A |
| UWP individual pension - single premium | Surrender | N/A | N/A | N/A | N/A |

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

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

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

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

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

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

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

where

$$F = R'^{k(j)x100} \; x \; R^{(i-j-k(j))x100\,x(ABS\,(i-j)>semirange\,)}$$

and

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

where

| | |
|---|---|
| $L$ | Overall limit on cash proportion. For SAL PPP81 and Fowler Personal Pensions we set this to the IR maximum of 25%. For all other products we set it to 1.25 x C |
| $C$ | Current experience assumption |
| $F$ | Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable. |
| $R$ | Reduction factor that applies outside of central "plateau" range (R=2/3) |
| $R'$ | Reduction factor that applies within central "plateau" range (R'=0.9) |
| $k(j)$ | Interim calculation variable depending on i,j, and semirange |
| $semirange$ | Central "plateau" assumed to apply over a range from (i-semirange) to (i + semirange). Set at 1%. |
| $t$ | Time in years from the valuation date |
| $T$ | Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30) |
| $S$ | Amount of longevity decline (S=3 so that cash declines by 1/3 over T years) |
| $i$ | Average yield of a long term (20 year) benchmark conventional gilt over the period used to set the current experience assumption for the GAR take up rate. This was the 4 year period from 1 Jan 2009 to 31 December 2012 over which the average yield is 3.72%. |
| $j$ | 20 year gilt rate at maturity for the particular scenario |

As an example, policies that are maturing on the valuation date would have a cash proportion of 19% for TP, PPP & APP products and 21% for EBP & RSP products.

Annuitant Mortality

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

### (7) Policyholder Actions

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

## 7. FINANCING COSTS

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

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

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

| | £m |
|---|---|
| Mortgage Endowment Reserve | 1.9 |
| Additional Guaranteed Annuity Option Reserve | 0.3 |
| Data errors, Litigation and Future projects | 4.0 |
| IBNR | 1.8 |
| Overdue claims | 5.0 |
| Reversionary annuities | 0.6 |
| GAR end date | 6.5 |
| Solvency II | 2.6 |
| Asset Management Services | 3.8 |
| Outsourcer Expenses Risk Transfer | 9.4 |
| Actuarial Systems Transformation Reconciliation | (26.6) |
| Other | 1.8 |
| **Total** | **11.2** |

(a) Mortgage Endowment Compensation Reserve

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

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

(b) Additional Guaranteed Annuity Option Reserve

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

(c) Data error provision, Litigation and Future projects

A liability has been included for additional liabilities which may arise in connection with data errors affecting the long-term business, future litigation settlement costs and future project costs.

(d) IBNR

A liability has been included for incurred but not reported claims.

(e) Overdue claims

This is a manual reserve that is held to provide for the position where, at some time in the past deferred annuities and retirement plan policies may have been removed from the administration systems but no claim payment (or pension in payment) appears to have been paid or established.

(f) Reversionary annuities

This reserve is to allow for the liability in respect of reversionary annuities that have been removed from the system and have not had a new record added which reflects the death of the main life (changing the annuity to an annuity in payment).

(g) GAR end date

This reserve is required because the realistic model is not able to allow correctly for the removal of the GAR end date at a mid year (ie 31 July 1999 for Transfer Plan and 30 June 1999 for DSS).

(h) Solvency II

The provision is to cover the costs of the Solvency II project apportioned to SAL.

(j) Asset Management Services

This provision is to cover the costs of this project apportioned to SAL.

(k) Outsourcer Expenses Risk Transfer

This provision is held as part of an outsourcer enterprise risk transfer to offset an accounting prepayment asset held to cover the transfer of risk payments made to Diligenta.

(l) Actuarial System Transformation Reconciliation

As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

(m) Other

The main provisions within the “Other” item include Temporary Annuity Reserves (£1.2m), Suspended Annuities reserves(£(2.2)m), costs falling outside MSA (£0.8m), Corporation Tax step up reserve (£0.6m) and Inland Revenue restricted annuities (£0.5m).

## 9. REALISTIC CURRENT LIABILITIES

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

| | |
|---|---|
| Regulatory current liabilities | 1,338.3 |
| Reinsurances | (41.3) |
| **Realistic current liabilities** | **1,297.0** |
| Check with Form 19 Line 51 | **TRUE** |

(a) Future Reinsurance Profits

The Company reinsures part of its endowment and whole life liabilities to the PLL 100% Fund and part of its UWP liabilities to the PLL Phoenix WP Fund.

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

At the valuation date the value of these excesses amounted to £31.4m in respect of endowment and whole life reinsurances to the PLL 100% Fund and £9.8m in respect of the UWP reinsurances to the PLL Phoenix WP Fund.

•

## • 10. RISK CAPITAL MARGIN

(a) The risk capital margin (RCM) is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estates rise by 17.63%.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.53%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.

(iii) The average change in spread for bonds backing with-profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is 2.53%:

(a) The change in the market value of bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is (6.84)%
(b) not applicable
(c) not applicable
(d) not applicable
(e) The change in the market value of swaps is (5.16)%. The change in value of the spreadlocks is (0.48)%.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is 0.37%.

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

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

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

(ii) The current methodology assumes that 31% of the increase in bond spreads is the credit risk scenario relates to changes in default expectations and that 69% of the increase in bond spreads is reflected in a higher liquidity premium than in both conditions.

(iii) It is assumed that the planned benefit enhancements will be reduced by £36.4m.

(iv) These actions are consistent with our PPFM and investment strategy.

(v) The estimated effect of assuming reduced annual bonuses is to reduce the RCM by £6.4m.

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

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

(c) (i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.

(ii) The 2011 scheme includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

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

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

## 12. DERIVATIVES

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

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

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

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

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

The fund holds a small amount of exchange traded equity and gilt futures to assist efficient portfolio management. The fund holds currency futures to hedge currency risk on overseas investments.

As at the valuation date, the type and value of derivatives held are as follows:

| Derivative | £m |
|---|---|
| Swaps | (54.6) |
| Swaptions | 4.0 |
| Spreadlocks | (238.6) |
| Currency Futures | 0.2 |
| Equity Futures | 0.0 |
| Gilt Futures | 4.3 |

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| | **YE13** |
| **Opening working capital** | **0.0** |
| Write back provision to repay contingent loan | 0.0 |
| Write back planned benefit enhancements to zeroise working capital | 145.1 |
| **Revised opening working capital** | **145.1** |
| Modelling changes | (0.1) |
| Retrospective changes to asset shares | 0.0 |
| Other opening adjustments | (12.0) |
| Mismatch profits and losses | 75.8 |
| Assumption changes | |
| - Non-economic | 5.8 |
| - Economic | (3.2) |
| - Policyholder actions | 0.0 |
| Impact of new business | 0.0 |
| Other Variances | |
| - New provisions | (2.4) |
| - Compensation costs | 0.0 |
| - Management actions | (34.9) |
| - Other non-economic | 0.0 |
| - Contingent loan increase | 0.0 |
| - Unexplained | (9.2) |
| **Closing working capital before zeroisation** | **164.8** |
| Provision to repay contingent loan | 0.0 |
| Planned benefit enhancements to distribute estate | (213.0) |
| Impact of planned enhancement on future policy related liabilities | 48.2 |
| **Closing working capital** | **0.0** |

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

| | **Current Valuation £m** | **Previous Valuation £m** |
|---|---|---|
| Mortgage Endowment Reserve | 1.9 | 2.0 |
| Additional Guaranteed Annuity Option Reserve | 0.3 | 0.3 |
| Data errors, Litigation and Future projects | 4.0 | 4.4 |
| IBNR | 1.8 | 1.8 |
| Overdue claims | 5.0 | 5.2 |
| Reversionary annuities | 0.6 | 0.2 |
| GAR end date | 6.5 | 6.5 |
| Solvency II | 2.6 | 1.7 |
| Actuarial Systems Transformation Provision | 0.0 | 0.8 |
| Asset Management Services | 3.8 | 8.8 |
| Outsourcer Expenses Risk Transfer | 9.4 | 0.0 |
| Actuarial Systems Transformation Reconciliation | (26.6) | 0.0 |
| Other provisions | 1.8 | (6.4) |
| **Form 19 Line 47 total** | **11.2** | **25.3** |

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

| | | |
|---|---|---|
| Accounting liabilities | 1,338.3 | 2,292.6 |
| Future tax profit | 0.0 | (0.1) |
| Additional tax on shareholders' transfers | 0.0 | 0.5 |
| Reassurance assets | (41.3) | (45.2) |
| **Form 19 Line 51 total** | **1,297.0** | **2,247.7** |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

## Scottish Mutual With-Profits Fund

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

There is no material amount of non-profit business.

### (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 BENEFITS RESERVE LIABILITIES

### (1) Calculation Of With-Profits Benefits Reserve

The with-profits benefits reserve and the future policy related liabilities for the different classes of business are shown in the following table:

| **Product Type** | **Method** | **With-profits benefits reserve** | **Future policy related liabilities** |
|---|---|---|---|
| | | **£m** | **£m** |
| CWP- Life | Retrospective | 69 | 16 |
| CWP- Life | Prospective | 29 | 4 |
| UWP- Life | Retrospective | 247 | 35 |
| **Life Total** | | **345** | **55** |
| CWP Pensions with GAO | Retrospective | 248 | 135 |
| CWP Pensions with GAO | Prospective | 29 | 17 |
| CWP Pensions with GCO | Retrospective | 198 | 217 |
| Group Full Profit | Prospective | 189 | 26 |
| Other DA | Prospective | 143 | 29 |
| UWP Pensions, 0% | Retrospective | 232 | 33 |
| UWP Pensions, 4% | Retrospective | 328 | 64 |
| **Pensions Total** | | **1,366** | **520** |
| **Total** | | **1,711** | **575** |

### (2) Correspondence With Form 19

The above reconciles to lines 31 and 49 of Form 19.

### (3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable: the table in (1) covers all products in the Fund.

### (4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, contracts with and without guaranteed cash options and guaranteed annuity options are identified separately and unitised with-profits business is separated from conventional with-profits business. Unitised with-profits pensions business is split between that with a guaranteed minimum bonus and that without.

## 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

### (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

### (2) Significant Changes To Valuation Method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

### (3) Expense Allocation

(a) Expenses are equal to the fixed policy fee charged by Pearl Group Management Services for the provision of administration services, as set out in the management services agreement.

(b) Expense investigations (reviews of the management services agreement) are carried out annually.

(c) The expenses for the business for the year to the valuation date were:

| | Item | £m |
|---|---|---|
| (i) | Initial Expenses [1] | 0.00 |
| (ii) | Maintenance Expenses | 4.73 |
| | Investment Expenses | 3.83 |
| (iii) | Method | Average expense charge deducted |
| (iv) | Expenses charged other than to with-profits benefits reserve | 0.00 |

[1] Since the company is closed to new business (apart from contractual increments etc.) the initial expenses are negligible.

Investment expenses were deducted from the with-profits benefits reserve at a rate of 0.167% p.a for life business and 0.132% p.a. for pensions business.

## (4) Significant Charges

There is a hedge asset in place to cover a substantial part of the guarantees within the fund. The costs of rebalancing this hedge are charged to the with-profits benefits reserve. Asset share enhancements together with these charges are combined, to give the percentage change in the with-profits benefits reserve shown in the following tables:

| Asset Share Group | Current valuation | Previous Valuation |
|---|---|---|
| CWP Life | (0.09)% | 0.92% |
| CWP Pensions | (0.08)% | 0.93% |
| UWP Life | (0.01)% | 1.05% |
| UWP Pensions | (0.01)% | 1.05% |

| Asset Share Group | Current valuation | Previous Valuation |
|---|---|---|
| UWP GBP SMI Bond | (0.01)% | 1.05% |
| UWP USD SMI Bond | 0.00% | 1.07% |
| UWP EUR SMI Bond | 0.00% | 1.10% |

## (5) Charges For Non-Insurance Risk

Annual management charges deducted from the fund in respect of unitised with-profits business amounted to £7.2m over the period.

## (6) Ratio Of Claims To Reserve

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with profits benefits reserves in respect of those claims, for the three preceding financial years is:

| Year | Ratio of claims to asset shares |
|---|---|
| Previous year -1 | 105.5% |
| Previous year | 103.3% |
| Current year | 104.4% |

## (7) Allocated Return

The average rates of return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The average rates of investment return (net of tax) are:

| | Investment returns |
|---|---|
| **WP Conventional Life** | 9.17% |
| **WP Conventional Pensions** | 5.02% |
| **UWP Life (with minimum bonus)** | 5.67% |
| **UWP Life (no minimum bonus)** | 11.26% |
| **UWP Life (no minimum bonus) US** | 14.63% |
| **UWP pensions (with minimum bonus)** | 5.02% |
| **UWP pensions (no minimum bonus)** | 10.82% |
| **WP Fund Euro** | 12.17% |

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

Prospective methods have been used for with-profits whole life business and for some conventional pensions, as shown in paragraph 3 (1).

With-Profits Whole Life Business

The with-profits benefits reserve is determined using a bonus reserve valuation with the following assumptions:

| | |
|---|---|
| **Economic Assumptions** | |
| Discount Rate p.a. (net of investment expense) | 2.98% |
| Investment Return p.a. (net of investment expense) | 2.98% |
| **Expense Assumptions** | |
| Investment Expense p.a. | 0.167% |
| Per Policy Expenses p.a. (premium-paying) | £48.63 |
| Per Policy Expenses p.a. (paid-up) | £34.04 |
| Expense Inflation p.a. | 4.55% |
| **Bonus Assumptions** | |
| Reversionary Bonus Rate | 0.00% |
| Terminal Bonus Rate | See below |
| **Decrements** | |
| Mortality | 74% AM92 |
| Persistency | Nil |

Future terminal bonus rates vary by duration in force at time of payment. Sample terminal bonus rates are as follows:

| Term | Rate |
|---|---|
| 5 | 8% |
| 10 | 8% |
| 15 | 43% |
| 20 | 52% |
| 25 | 63% |
| 30 | 69% |
| 35 | 90% |
| 40+ | 184% |

<u>Conventional Pensions Business</u>

The with-profits benefits reserve is determined using a gross premium valuation with the following assumptions:

| | Group Full Profit | Other Deferred Annuity | With-Profit Annuity | Other Annuity |
|---|---|---|---|---|
| **Economic Assumptions** | | | | |
| Discount Rate p.a. (net) | 2.50% | 2.50% | 2.50% | 2.50% |
| Investment Return p.a. (net) | 2.50% | 2.50% | 2.50% | 2.50% |
| **Expense Assumptions** | | | | |
| Investment Expense p.a. | 0.13% | 0.13% | 0.13% | 0.13% |
| Per policy - premium-paying | 63.22 | 63.22 | 32.03 | 63.22 |
| Per policy - paid up | 0.00 | 44.26 | 0.00 | 0.00 |
| Expense Inflation p.a. | 5.55% | 5.55% | 5.55% | 5.55% |
| **Bonus Assumptions** | | | | |
| Reversionary Bonus | - | - | 2.00% | - |

No terminal bonus is assumed and there is no allowance for lapses or mortality.

## (2) Different Sets Of Assumptions

Not applicable.

## 6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

### (1) De Minimis Limit

The cost of smoothing is nil as all benefits are based on unsmoothed asset shares.

### (2) Valuation Methods For Guarantees etc.

Summary details of the business with guarantees are given in the following table:

| | Cost of Guarantees & Options | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|
| All business | Stochastic model | All business | 246,194 | 3,152 |

a) <u>Cost of Guarantees & Options</u>

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

(i) Guaranteed annuity option reserves;
(ii) Guaranteed cash option reserves;
(iii) The reserves required in addition to asset share to meet guaranteed benefits.

Guaranteed annuity options allow policyholders to convert a funded cash sum into an annuity on guaranteed terms. Guaranteed cash options allow policyholders to convert a funded annuity benefit into a lump sum on guaranteed terms.

The calculations were carried out using a risk neutral approach.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) Policies are grouped according to product code, annuity factor, terminal bonus series, reversionary bonus series, early retirement option indicator, pension code and product class. They are also split into bands by policy term and according to the degree by which the guarantees are in or out of the money.

The values of guarantees are estimated using closed form approximations before and after grouping. These are compared to ensure that the model points are a good representation of the individual policy data

(c) The cost of options and guarantees for a small number of residual policies is approximated using a proxy contract which has been modeled accurately. The model points for the proxy contract are scaled such that in aggregate the policy count, asset share and guaranteed benefits are equal to the total values for these approximately modelled policies.

## (3) Significant Changes

There have been no significant changes since the previous valuation.

## (4) Further Information on Stochastic Approach

(a) (i) The stochastic model is used to value the following guarantees and options:

- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts.
- Market value reduction-free spot maturity guarantees within unitised with-profits contracts.
- Guaranteed annuity options on conventional with-profits contracts.
- Guaranteed cash options on conventional with-profits contracts.

Of these, the guaranteed annuity options and market value reduction-free guarantees are "in the money" at the valuation date. For the other guarantees, the extent to which they are "in the money" depends on duration and policy size.

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert. The asset classes modelled are UK equities, UK property, UK corporate bonds, UK gilts, EU equities, EU corporate bonds and EU gilts.

<u>Interest Rate</u>
UK gilt returns are modelled using a gilts + 10bps calibration in a monthly LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model. Euro gilt returns are modelled in a similar fashion based on the closest equivalent to the Government Nominal bond yield curve.

The calibration at the valuation date was as follows:

| | GBP | | | EUR | | |
|---|---|---|---|---|---|---|
| **Term** | **Govt. + 10bp** | **Model** | **Difference (Model - Market) bps** | **Govt. + 10bp (equivalent)** | **Model** | **Difference (Model - Market) bps** |
| 1 | 0.51% | 0.51% | 0 | 0.26% | 0.26% | 0 |
| 2 | 1.29% | 1.29% | (0) | 0.57% | 0.57% | (0) |
| 3 | 2.16% | 2.16% | (0) | 1.14% | 1.15% | 1 |
| 4 | 2.93% | 2.94% | 1 | 1.74% | 1.75% | 1 |
| 5 | 3.56% | 3.56% | 0 | 2.32% | 2.34% | 2 |
| 7 | 4.42% | 4.41% | (1) | 3.32% | 3.30% | (2) |
| 10 | 4.87% | 4.87% | 0 | 4.11% | 4.12% | 2 |
| 15 | 4.58% | 4.58% | 1 | 4.28% | 4.26% | (3) |
| 20 | 4.15% | 4.14% | (0) | 4.14% | 4.15% | 1 |
| 25 | 3.88% | 3.87% | (1) | 4.06% | 4.06% | 0 |

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

| | GBP | | | EUR | | |
|---|---|---|---|---|---|---|
| **Term** | **Market (%)** | **Model (%)** | **Difference (Model - Market) bps** | **Market (%)** | **Model (%)** | **Difference (Model - Market) bps** |
| 1 | 20.00 | 23.77 | 377 | 23.70 | 26.08 | 238 |
| 2 | 20.10 | 21.10 | 100 | 24.30 | 25.02 | 72 |
| 3 | 19.40 | 20.44 | 104 | 24.30 | 24.92 | 62 |
| 4 | 18.70 | 19.52 | 82 | 24.10 | 24.25 | 15 |
| 5 | 18.10 | 18.48 | 38 | 24.00 | 23.61 | (39) |
| 7 | 16.80 | 17.04 | 24 | 22.80 | 22.15 | (65) |
| 10 | 15.50 | 15.63 | 13 | 21.70 | 19.92 | (178) |
| 15 | 14.20 | 14.03 | (17) | 20.20 | 16.68 | (352) |
| 20 | 13.50 | 12.81 | (69) | 18.40 | 14.78 | (362) |
| 25 | 13.20 | 11.57 | (163) | 16.90 | 12.95 | (395) |
| 30 | 12.70 | 11.03 | (167) | 15.30 | 11.77 | (353) |

Inflation is modelled as the difference between the nominal and real yield curves. Real interest rates are modelled using a two-factor Vasicek model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2013.

Equities and Property

Excess returns over risk free rates on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatility is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component using Merton's jump model. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

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

Market (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 20.50 | 14.30 | 13.00 |
| 3 | 20.10 | 17.00 | 15.00 |
| 5 | 21.20 | 18.90 | 16.90 |
| 7 | 22.40 | 20.50 | 19.00 |
| 9 | 23.40 | 21.60 | 20.20 |

Model (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 19.87 | 14.43 | 10.15 |
| 3 | 20.45 | 17.68 | 15.29 |
| 5 | 21.09 | 19.42 | 17.79 |
| 7 | 21.66 | 20.17 | 18.92 |
| 9 | 22.54 | 21.37 | 20.38 |

Difference (Model – Market) bps

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | (63) | 13 | (285) |
| 3 | 35 | 68 | 29 |
| 5 | (11) | 52 | 89 |
| 7 | (74) | (33) | (8) |
| 9 | (86) | (23) | 18 |

The Euro asset model was calibrated by reference to the implied volatility of Eurostoxx 50 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

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

Market (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 22.70 | 17.80 | 15.50 |
| 3 | 22.10 | 19.50 | 17.60 |
| 5 | 22.10 | 20.10 | 18.50 |
| 7 | 22.00 | 20.30 | 19.00 |
| 9 | 22.10 | 20.60 | 19.50 |

Model (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 21.70 | 17.06 | 13.64 |
| 3 | 21.94 | 19.16 | 17.20 |
| 5 | 21.57 | 19.85 | 18.51 |
| 7 | 21.72 | 20.51 | 19.50 |
| 9 | 21.69 | 20.82 | 20.04 |

Difference (Model – Market) bps

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | (100) | (74) | (186) |
| 3 | (16) | (34) | (40) |
| 5 | (53) | (25) | 1 |
| 7 | (28) | 21 | 50 |
| 9 | (41) | 22 | 54 |

Property volatility has been adjusted to be a weighted average of equity and direct property due to the investment in the UKCPT.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

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

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

| | *Output Correlations @ Year 10* | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cash | Equities | Overseas Equities | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB |
| Cash | 1.00 | (0.11) | (0.12) | (0.85) | (0.84) | (0.73) | (0.78) |
| Equities | | 1.00 | 0.57 | 0.16 | 0.14 | 0.24 | 0.21 |
| Overseas equities | | | 1.00 | 0.15 | 0.15 | 0.21 | 0.19 |
| 5yr Govt ZCB | | | | 1.00 | 0.95 | 0.87 | 0.89 |
| 15yr Govt ZCB | | | | | 1.00 | 0.83 | 0.92 |
| 5yr Corp ZCB | | | | | | 1.00 | 0.94 |
| 15yr Corp ZCB | | | | | | | 1.00 |

Nominal foreign exchange rates are modelled as the combination of real exchange rates and inflation rates where real exchange rates follow a mean-reverting process and are calibrated to the long-term best estimates derived by Barrie & Hibbert.

(iii) The table below gives further information on the stochastic approach used based on 3000 scenarios:

| | | Asset type (all UK assets) | K=0.75 | | | | K=1 | | | | K=1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.08% | 3.79% | 3.93% | 3.86% | x | x | x | x | x | x | x | x |
| 1 | | Risk-free zero coupon bond | 901,991 | 572,316 | 381,390 | 266,055 | x | x | x | x | x | x | x | x |
| 2 | | FTSE All Share Index (p=1) | 69,699 | 215,425 | 316,925 | 404,142 | 171,911 | 360,978 | 486,521 | 588,223 | 529,713 | 717,907 | 869,655 | 987,315 |
| 3 | | FTSE All Share Index (p=0.8) | 65,240 | 175,511 | 237,634 | 286,184 | 161,671 | 297,285 | 366,999 | 418,616 | 502,872 | 598,190 | 665,263 | 708,318 |
| 4 | | Property (p=1) | 74,570 | 181,490 | 266,337 | 339,291 | 195,913 | 334,739 | 438,867 | 523,099 | 564,648 | 709,680 | 832,816 | 929,037 |
| 5 | | Property (p=0.8) | 69,076 | 141,197 | 187,056 | 224,939 | 184,145 | 267,444 | 317,111 | 353,551 | 539,078 | 584,859 | 622,189 | 645,403 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 21,287 | 20,531 | 15,481 | 20,704 | 92,121 | 82,139 | 86,972 | 122,544 | 500,457 | 500,382 | 506,978 | 529,701 |
| 7 | | 15 year risk free zero coupon bond (p=0.8) | 19,084 | 12,422 | 6,084 | 4,762 | 83,196 | 47,428 | 26,906 | 24,839 | 470,105 | 345,564 | 264,276 | 231,288 |
| 8 | | 15 year risk free bonds (p=1) | 23,971 | 28,909 | 32,232 | 48,495 | 100,429 | 105,044 | 118,556 | 152,819 | 500,446 | 496,512 | 509,391 | 538,747 |
| 9 | | 15 year risk free bonds (p=0.8) | 21,547 | 17,447 | 13,217 | 15,337 | 91,247 | 64,857 | 50,537 | 54,382 | 470,458 | 347,397 | 279,414 | 253,337 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 47,430 | 160,102 | 250,681 | 331,562 | 146,744 | 300,503 | 409,329 | 506,018 | 523,963 | 662,268 | 785,550 | 897,205 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 43,597 | 124,401 | 179,808 | 222,359 | 136,159 | 237,730 | 296,728 | 345,169 | 496,652 | 540,247 | 582,242 | 622,379 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1) | 32,715 | 118,412 | 194,965 | 266,922 | 118,392 | 243,800 | 337,125 | 425,776 | 509,526 | 598,450 | 701,035 | 798,788 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8) | 29,701 | 88,847 | 135,301 | 171,684 | 108,543 | 186,620 | 234,904 | 279,054 | 480,318 | 474,815 | 501,875 | 534,480 |
| 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) | 18,523 | 70,020 | 127,243 | 183,332 | 98,484 | 181,537 | 256,397 | 329,846 | 504,164 | 548,121 | 618,154 | 698,109 |
| 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) | 16,201 | 47,763 | 78,795 | 105,115 | 88,462 | 127,482 | 162,316 | 193,964 | 474,506 | 418,015 | 416,668 | 435,613 |

(iv) The equity dividend yields used for the UK and Euro business are:

UK initial equity yield: 3.5%;
EU initial equity yield: 3.5%.

(v) The following table shows (for K=1 only) for the risk free rate and lines 1 and 2 for the Eurozone, the only economy outside the UK to which the fund has significant asset exposure. They are denominated in euros and based on 3000 scenarios.

| | **Asset Type (EU Assets)** | **K=1** | | | |
|---|---|---|---|---|---|
| **n** | **Duration** | **5** | **15** | **25** | **35** |
| | Strike price per €1m | 1,061,867 | 1,564,428 | 2,346,830 | 3,497,374 |
| **r** | Annualised compound equivalent of the risk free rate | 1.21% | 3.03% | 3.47% | 3.64% |
| **1** | Risk-Free Coupon Bond | 941,737 | 639,211 | 426,107 | 285,929 |
| **2** | ESTOXX (p=1) | 175,753 | 319,196 | 422,137 | 529,911 |

(vi) The fund has significant hedge instruments that form a close match, in aggregate, to the liabilities of the fund. The hedge instruments include equity put options and swaptions. The following table compares the market prices (on a mid basis) for the instruments modelled within the stochastic model.

| **Outstanding Term (Years)** | **Options (£)** | | **Swaptions (£)** | |
|---|---|---|---|---|
| | **Market** | **Model** | **Market** | **Model** |
| 1-5 | 14,811,606 | 15,183,404 | 6,873,958 | 12,050,974 |
| 6-10 | 24,301,511 | 23,939,904 | 19,001,452 | 26,121,163 |
| 11-15 | 24,942,958 | 23,659,749 | 23,925,500 | 28,413,023 |
| 16-20 | 0 | 0 | 0 | 0 |
| **Total** | **64,056,075** | **62,783,057** | **49,800,911** | **66,585,160** |

Note that the modelled results in the above table are produced using a gilts+10 based calibration for consistency with the approach to valuing the liabilities. If a swaps-based calibration is used (which would be consistent with how the market would price these contracts) the discrepancy between the market and modelled values is significantly smaller.

(vii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU. At 3000 scenarios and significant durations (short to medium terms), the difference between the average net present value of each asset class of each economy and the current asset value was close (i.e. not statistically significant). This confirms that the total return for relevant assets is a martingale and risk neutral.

(viii) The assets and liabilities have been computed using 3000 (1500 antithetic pairs of) simulated scenarios. At 1000 scenarios, the cost of options and guarantees converges to ±£3.1m at a 95% confidence interval. When the number of scenarios is increased to 3000, the cost of options and guarantees converges to ±£1.8m.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

(a) No management actions were assumed in calculating the working capital.

(b) Not applicable.

## (6) Persistency Assumptions

The surrender and paid-up rates are:

| Product | | Average Surrender/Paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| CWP Savings Endowment | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| CWP Target Cash Endowment | Surrender | 4.00% | 4.00% | 4.00% | 4.00% |
| UWP Bond | Surrender | 26.00% | 30.80% | 15.00% | 15.00% |
| CWP Pension Regular Premium | Surrender | 5.00% | 5.00% | 5.00% | 5.00% |
| CWP Pension Single Premium | Surrender | 2.00% | 2.00% | 2.00% | 2.00% |
| UWP Indiv Pension Regular Premium | Surrender | 5.20% | 7.80% | 9.00% | 9.00% |
| UWP Indiv Pension Single Premium | Surrender | 14.00% | 20.00% | 16.00% | 16.00% |

Take-up Rates of Guaranteed Annuity Options

The assumed take-up rate varies with the degree of “money-ness” of the option, where this is defined as (market annuity rate / guaranteed annuity rate) at the retirement date.

| Moneyness Upper Limit (%) | Take-up Rate (%) |
|---|---|
| **100** | 0 |
| **140** | 80 |
| **180** | 85 |
| **9999** | 90 |

Take-up Rates of Guaranteed Cash Options

The assumed take-up rate varies with the degree of “money-ness” of the option, where this is defined as (GCO factor / market annuity factor) at the retirement date.

| Moneyness Upper Limit (%) | Take-up Rate (%) IP Pensions | Take-up Rate (%) MP Pensions |
|---|---|---|
| **60** | 5 | 5 |
| **90** | 10 | 30 |
| **100** | 25 | 30 |
| **9999** | 100 | 100 |

<u>Annuitant Mortality</u>

Deferred pension contracts (post vesting) include guaranteed annuity options.

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

### (7) Policyholders' Actions

<u>Exercise of MVR-free options</u>

The rate at which these options are exercised varies with the degree of "money-ness" of the option, where this is defined as (asset share / face value of units) at the MVR-free date. For the UK business (excluding the SMI Euro Bond) the rates are:

| Moneyness Upper Limit (%) | Take-up Rate (%) |
|---|---|
| **75** | 100 |
| **90** | 75 |
| **100** | 25 |
| **9999** | 0 |

For the SMI Euro bond the rates are:

| Moneyness Upper Limit (%) | Take-up Rate (%) |
|---|---|
| **75** | 100 |
| **90** | 85 |
| **100** | 25 |
| **9999** | 0 |

## 7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19.

The amount shown in Line 47 of Form 19 is composed of the present value of future transfers to shareholders and technical provisions.

The present value of future transfers to shareholders was £5.0m at the valuation date.

Technical provisions of £21.1m were held in the Fund at the valuation date.

The provisions held at the valuation date are shown in the table below:

| | |
|---|---|
| Data Provision | 0.0 |
| Future Litigation Costs | 1.2 |
| Project and Other Costs | 0.8 |
| VAT provision for potential charges from external outsourcers | 0.9 |
| Costs falling outside MSAs | 0.2 |
| Solvency II | 1.2 |
| Actuarial System Transformation | 0.0 |
| Strachan Policy Review | 0.1 |
| TCF | 0.1 |
| Asset Management Services | 1.8 |
| Mandarin | 0.0 |
| Capital Regulatory Buyout | 0.2 |
| Extra provison for Data grouping | 5.2 |
| AST Reconciliation | 2.2 |
| SM Annuity Reserve Transfer between NP Fund | 7.1 |
| **Total Additional Reserves** | **21.1** |

## 9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities are obtained from the regulatory value by adjusting to allow for recoverable deferred tax assets. The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

| | **£m** |
|---|---|
| Regulatory current liabilities | 911.4 |
| - Recoverable deferred tax asset | 0.0 |
| - Recoverable tax on excess E | 0.0 |
| **Realistic current liabilities** | **911.4** |

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall (rise) by an amount which depends on the territory in question:

| **% Change in Equity Markets** | **%** |
|---|---|
| UK and "Non-significant" Overseas Holdings | 20.00 |
| Europe | 20.00 |
| USA | 20.00 |

There was also a 12.5% rise / fall in property stress applied.

The equity fall and the property fall were the more onerous scenarios

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario again depends on the territory in question:

| Nominal change in yields on fixed interest securities | Nominal Change in Yields | % change in long term gilt yield |
|---|---|---|
| UK and "Non-significant" Overseas Holdings | 0.60% | 17.50% |
| Europe | 0.43% | 17.50% |
| USA | 0.61% | 17.50% |

A decrease in yields is the more onerous scenario.

(iii) The average change in spread is 1.1%. Changes in market values are:

(a) (7.1)%;
(b) Not applicable;
(c) Not applicable;
(d) Not applicable;
(e) Not applicable.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 1.6%.

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

(b) There is a collateral promise on the unitised with-profits business under which the cost of conventional with-profits guarantees must not be borne by unitised with-profits policyholders. However, planned enhancements arising on either unitised with-profits or conventional with-profits business may be used to reduce any deficit arising in the other category having first covered their own deficit.

(i) In the stress scenarios the following additional assumption is made:

The planned benefit enhancements will be reduced by £21.1m, resulting in £nil working capital under the stressed conditions.

(ii) The effect on the risk capital margin of reducing the planned benefit enhancements is a reduction of £21.1m.

(iii) No changes would be made to equity backing ratios or bonus rates if the management actions were taken.

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

(c)

(i) The risk capital margin is covered by the assets of the Scottish Mutual With-Profits Fund.

(ii) The scheme for the funds merger as at 1 January 2009 includes a provision that in the event that the value of the assets of the fund falls below the regulatory minimum, support will be provided to the fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

## 11. TAX

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

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

## 12. DERIVATIVES

A number of structured derivative contracts are held within the fund at the valuation date to enable the fund to withstand the impact of adverse conditions. They are constructed from at-the-money vanilla over-the-counter derivatives – equity put options, equity futures, interest rate swaps, interest rate swaptions and spreadlocks – with outstanding terms ranging from 1 to 20 years.

As at the valuation date the total market price of these derivatives, on a bid basis, is £91.6m. This is split as follows:

| Type | GBP (£m) | EUR (£m) | USD(£m) | Total (£m) |
|---|---|---|---|---|
| Swaps | 24.47 | 0.00 | 0.00 | 24.47 |
| Swaptions | 45.29 | 0.00 | 0.00 | 45.29 |
| Options | 63.47 | 0.48 | 0.00 | 63.95 |
| Spreadlocks | (43.22) | 0.00 | 0.00 | (43.22) |
| Futures | 2.49 | (0.27) | (1.07) | 1.14 |
| **Total derivatives backing guarantees** | **92.51** | **0.21** | **(1.07)** | **91.64** |
| Other derivatives backing benefit reserves | | | | 3.00 |
| **Total** | | | | **94.64** |

The other derivatives form part of asset backing asset shares and constitute less than 0.2% of the total.

## 13. ANALYSIS OF WORKING CAPITAL

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

| | £m |
|---|---|
| **Opening working capital** | **0.0** |
| Write back planned benefit enhancements to zeroise working capital | 266.0 |
| **Revised opening working capital** | **266.0** |
| Opening adjustments | (4.1) |
| **Restated opening working capital** | **261.9** |
| Investment return on working capital | (10.9) |
| Mismatch profits and losses | 0.0 |
| Assumption changes | |
| - Non-economic | 6.2 |
| - Economic | (2.6) |
| - Policyholder actions | 6.3 |
| Impact of new business | 0.0 |
| Other Variances | |
| - Estate Distribution | (23.2) |
| - Non-economic | (32.0) |
| - Economic | 19.1 |
| - Changes in provisions | (2.5) |
| - Unexplained | (9.5) |
| **Closing working capital before zeroisation** | **212.7** |
| Planned benefit enhancements to distribute estate | (277.7) |
| Impact of planned enhancement on future policy related liabilities | 65.0 |
| **Closing working capital** | **(0.0)** |

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Present value of future CWP transfers | 5.0 | 6.7 |
| Technical Provisions | 21.1 | 15.6 |
| **Any other long term insurance liabilities** | **26.0** | **22.3** |

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Regulatory current liabilities | 911.4 | 996.7 |
| - Recoverable deferred tax asset | 0.0 | 0.0 |
| - Recoverable tax on excess E | 0.0 | (0.0) |
| **Realistic current liabilities** | **911.4** | **996.6** |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, last year, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

# SPI With-Profits Fund

## 2. ASSETS

### (1) Economic Assumptions For Valuing Non-Profit Business

There is no material amount of non-profit business.

### (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 BENEFITS RESERVE LIABILITIES

(1) Calculation Of With-Profits Benefits Reserve

| Product Type | Method | With-profits benefits reserve | Future policy related liabilities |
|---|---|---|---|
| | | £m | £m |
| Whole life assurance | Prospective | 80 | 24 |
| Endowment | Retrospective | 728 | 182 |
| Unitised with-profits Life | Retrospective | 107 | 30 |
| Other | Retrospective | 51 | 15 |
| **Life Total** | | **965** | **251** |
| Deferred annuity- with GCO | Retrospective | 75 | 112 |
| Deferred annuity- without GCO | Retrospective | 149 | 120 |
| Pure Endowment- with GCO | Retrospective | 6 | 8 |
| Unitised with-profits Pensions | Retrospective | 447 | 110 |
| SPI Funding | Retrospective | 54 | 27 |
| **Pensions Total** | | **731** | **377** |
| | | | |
| **Total** | | **1,696** | **628** |
| Form 19 Line 31 | | 1,696 | |
| Form 19 Line 49 | | | 628 |

"Other" business in this table covers smaller conventional with-profits life products for which the costs of guarantees and options are calculated approximately.

### (2) Correspondence With Form 19

The above reconciles to lines 31 and 49 of Form 19.

### (3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable: the table in (1) covers all products in the Fund.

### (4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, contracts with and without guaranteed cash options are identified separately and unitised with-profits business is separated from conventional with-profits business.

## 4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

### (1) Retrospective Methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

### (2) Significant Changes To Valuation Method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

### (3) Expense Allocation

(a) The 2009 Court Scheme sets out the charges for the SPI With-Profits Fund. The scheme also specifies that in any financial year, these charges (calculated on a per policy basis) shall not be less than 85% or more than 115% of the costs actually incurred by Phoenix in respect of the business in the SPI With-Profits Fund. These charges are reviewed by the With-Profits Committee with a view to ensuring that they comply with these terms.

(b) Expense investigations (reviews of the management services agreement) are carried out annually.

(c) The expenses for the business for the year to the valuation date were:

| | Item | £m |
|---|---|---|
| (i) | Initial Expenses [1] | 0.0 |
| (ii) | Maintenance Expenses | 10.2 |
| | Investment Expenses | 6.1 |
| (iii) | Method | Average expense charge deducted |
| (iv) | Expenses charged other than to with-profits benefits reserve | 2.5 |

[1] Since the company is closed to new business (apart from contractual increments etc.), the initial expenses are negligible.

Investment expenses were deducted from the with-profits benefits reserve at a rate of 0.140% p.a. for traditional and deposit administration business.

## (4) Significant Charges

There is a hedge asset in place to cover a substantial part of the guarantees within the fund. The costs of rebalancing this hedge were previously charged to the with-profits benefits reserve but are now charged to the estate. The resulting percentage reduction in the with-profits benefits reserve is shown in the following table.

| Asset Share Group | Current Valuation |
|---|---|
| CWP Life and Pensions | 0.00% |
| UWP Life and Pensions | 0.00% |

## (5) Charges For Non-Insurance Risk

Charges in respect of accumulating with-profits business are as determined by the policy terms and conditions. In particular, an annual management charge is deducted from asset shares. This is 0.60% for life business and 0.85% for pensions business.

## (6) Ratio Of Claims To Reserve

Average ratio of total claims to asset shares:

| Year | Ratio of claims to asset shares |
|---|---|
| Previous year -1 | 98% |
| Previous year | 100% |
| Current year | 100% |

## (7) Allocated Return

The average rates of return attributed to the with-profit benefits reserve of a policy depends on the asset mix for it. Investment returns for Pensions products are gross of tax and those for Life products are net of tax. Investment returns for the year ending 2013 are:

| | Investment Return | |
|---|---|---|
| Product Type | UK | Irish |
| Conventional Life | 7.69% | 8.03% |
| Conventional Pensions | 5.04% | 5.39% |
| UWP Life | 9.54% | 11.30% |
| UWP Pensions (with g'teed min bonus) | 5.04% | 5.39% |
| UWP Pensions (with no min bonus) | 10.95% | 11.30% |
| SPI Funding | 5.04% | 5.39% |

The asset allocation is specific to each product. The following table summaries the investment strategy for each product grouping within the fund:

| | Fixed Interest | Total equities | Property | Cash |
|---|---|---|---|---|
| WP_Fund_conv_life | 48.0 | 42.0 | 6.7 | 3.3 |
| WP_Fund_conv_pens | 68.8 | 25.2 | 4.0 | 2.0 |
| WP_Fund_uwp_life | 37.5 | 51.0 | 7.5 | 3.9 |
| WP_Fund_uwp_pens_wmb | 68.8 | 25.2 | 4.0 | 2.0 |
| WP_Fund_uwp_pens_nmb | 37.5 | 51.0 | 7.5 | 3.9 |
| WP_Fund_Euro_conv_life | 45.0 | 41.7 | 6.7 | 6.5 |
| WP_Fund_Euro_conv_pens | 67.2 | 24.9 | 4.0 | 3.9 |
| WP_Fund_SPI | 68.7 | 25.2 | 4.0 | 2.1 |

# 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

## (1) Key Assumptions

A prospective method has been used for with-profits whole life business. The with-profits benefits reserve for this business is determined using a bonus reserve valuation with the following assumptions:

| | | |
|---|---|---|
| **Economic Assumptions** | | |
| Discount Rate p.a. (net of investment expense) | 3.00% | |
| Investment Return p.a. | 3.00% | |
| **Expense Assumptions** | **UK** | **Ireland** |
| Investment Expense p.a. | 0.14% | 0.14% |
| Per Policy Expenses p.a. (premium-paying) | £29.15 | £68.95 |
| Per Policy Expenses p.a. (paid-up) | £20.41 | £68.95 |
| Expense Inflation p.a. | 4.55% | 0.00% |
| **Bonus Assumptions** | | |
| Reversionary Bonus Rate | 0.00% | 0.00% |
| Terminal Bonus Rate | See below | See below |

Future terminal bonus rates vary by duration in force at time of payment. Different rates apply for UK and Ireland business. Sample terminal bonus rates are as follows:

| Term | UK | Ireland (if applicable) |
|---|---|---|
| 5 | 0% | 0% |
| 10 | 70% | 43% |
| 15 | 83% | 59% |
| 20 | 70% | 62% |
| 25 | 53% | 55% |
| 30 | 69% | 51% |
| 35 | 99% | 89% |
| 40 | 152% | 165% |
| 50+ | 236% | 219% |

There is no allowance for lapses. The mortality assumptions are based on the TM92 / TF92 tables, with a distinction between smokers and non-smokers:

| Mortality | |
|---|---|
| Male non-smoker | 90% TM92_MNS |
| Male smoker | 95% TM92_MS |
| Female non-smoker | 90% TF92_FNS |
| Female smoker | 80% TF92_FS |

### (2) Different Sets Of Assumptions

Not applicable.

## 6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

### (1) De Minimis Limit

The cost of smoothing is nil as all benefits are based on unsmoothed asset shares.

### (2) Valuation Methods For Guarantees etc.

| | Cost of Guarantees & Options | Extent of Grouping | No of Individual policies | No of model points |
|---|---|---|---|---|
| All business | Stochastic model | All business | **313,637** | **3,288** |

(a) Cost of Guarantees & Options

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

(i) Guaranteed annuity option reserves
(ii) The reserves required in addition to asset share to meet guaranteed benefits

The calculations were carried out using a risk neutral approach.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) Policies are grouped according to product code, annuity factor, terminal bonus series, reversionary bonus series, early retirement option indicator, pension code and product class. They are also split into bands by policy term and according to the degree by which the guarantees are in or out of the money.

The values of guarantees are estimated using closed form approximations before and after grouping. These are compared to ensure that the model points are a good representation of the individual policy data

### (3) Significant Changes

There have been no significant changes since the previous valuation.

## (4) Further Information on Stochastic Approach

(a) (i) The stochastic model is used to value the following guarantees and options:

- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts.
- Market value reduction-free spot maturity guarantees within unitised with-profits contracts.
- Guaranteed annuity options on conventional with-profits contracts.

Of these, the guaranteed annuity options and market value reduction-free guarantees are strongly “in the money” at the valuation date. For the guarantee of no negative terminal bonus, the extent to which it is “in the money” depends on duration and policy size.

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert. The asset classes modelled are UK equities, UK property, UK corporate bonds, UK gilts, EU equities, EU corporate bonds and EU gilts.

Interest Rate
UK gilt returns are modelled using a gilts + 10bps calibration in a monthly LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model. Euro gilt returns are modelled in a similar fashion based on the closest equivalent to the Government Nominal bond yield curve.

The calibration at the valuation date was as follows:

| | GBP | | | EUR | | |
|---|---|---|---|---|---|---|
| **Term** | **Govt. + 10bp** | **Model** | **Difference (Model - Market) bp** | **Govt. + 10bp (equivalent)** | **Model** | **Difference (Model - Market) bp** |
| 1 | 0.51% | 0.51% | 0 | 0.26% | 0.26% | 0 |
| 2 | 1.29% | 1.29% | (0) | 0.57% | 0.57% | (0) |
| 3 | 2.16% | 2.16% | (0) | 1.14% | 1.15% | 1 |
| 4 | 2.93% | 2.94% | 1 | 1.74% | 1.75% | 1 |
| 5 | 3.56% | 3.56% | 0 | 2.32% | 2.34% | 2 |
| 7 | 4.42% | 4.41% | (1) | 3.32% | 3.30% | (2) |
| 10 | 4.87% | 4.87% | 0 | 4.11% | 4.12% | 2 |
| 15 | 4.58% | 4.58% | 1 | 4.28% | 4.26% | (3) |
| 20 | 4.15% | 4.14% | (0) | 4.14% | 4.15% | 1 |
| 25 | 3.88% | 3.87% | (1) | 4.06% | 4.06% | 0 |

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

| | GBP | | | EUR | | |
|---|---|---|---|---|---|---|
| **Term** | **Market** | **Model** | **Difference (Model - Market) bp** | **Market** | **Model** | **Difference (Model - Market) bp** |
| 1 | 20.00 | 23.77 | 377 | 23.70 | 26.08 | 238 |
| 2 | 20.10 | 21.10 | 100 | 24.30 | 25.02 | 72 |
| 3 | 19.40 | 20.44 | 104 | 24.30 | 24.92 | 62 |
| 4 | 18.70 | 19.52 | 82 | 24.10 | 24.25 | 15 |
| 5 | 18.10 | 18.48 | 38 | 24.00 | 23.61 | (39) |
| 7 | 16.80 | 17.04 | 24 | 22.80 | 22.15 | (65) |
| 10 | 15.50 | 15.63 | 13 | 21.70 | 19.92 | (178) |
| 15 | 14.20 | 14.03 | (17) | 20.20 | 16.68 | (352) |
| 20 | 13.50 | 12.81 | (69) | 18.40 | 14.78 | (362) |
| 25 | 13.20 | 11.57 | (163) | 16.90 | 12.95 | (395) |
| 30 | 12.70 | 11.03 | (167) | 15.30 | 11.77 | (353) |

Inflation is modelled as the difference between the nominal and real yield curves. Real interest rates are modelled using a two-factor Vasicek model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2013.

Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) models. Separate equity models are used for UK and Euro equities and each model is calibrated to capture market volatilities that vary by strike and duration. Volatility is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component using Merton's jump model. Alternative investments are treated as UK equities.

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

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

Market (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 20.50 | 14.30 | 13.00 |
| 3 | 20.10 | 17.00 | 15.00 |
| 5 | 21.20 | 18.90 | 16.90 |
| 7 | 22.40 | 20.50 | 19.00 |
| 9 | 23.40 | 21.60 | 20.20 |

Model (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 19.87 | 14.43 | 10.15 |
| 3 | 20.45 | 17.68 | 15.29 |
| 5 | 21.09 | 19.42 | 17.79 |
| 7 | 21.66 | 20.17 | 18.92 |
| 9 | 22.54 | 21.37 | 20.38 |

Difference (Model – Market) %

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | (63) | 13 | (285) |
| 3 | 35 | 68 | 29 |
| 5 | (11) | 52 | 89 |
| 7 | (74) | (33) | (8) |
| 9 | (86) | (23) | 18 |

The Euro asset model was calibrated by reference to the implied volatility of Eurostoxx 50 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

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

Market (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 22.70 | 17.80 | 15.50 |
| 3 | 22.10 | 19.50 | 17.60 |
| 5 | 22.10 | 20.10 | 18.50 |
| 7 | 22.00 | 20.30 | 19.00 |
| 9 | 22.10 | 20.60 | 19.50 |

Model (%)

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | 21.70 | 17.06 | 13.64 |
| 3 | 21.94 | 19.16 | 17.20 |
| 5 | 21.57 | 19.85 | 18.51 |
| 7 | 21.72 | 20.51 | 19.50 |
| 9 | 21.69 | 20.82 | 20.04 |

Difference (Model – Market) %

| | Strike | | |
|---|---|---|---|
| **Term** | **0.8** | **1** | **1.2** |
| 1 | (100) | (74) | (186) |
| 3 | (16) | (34) | (40) |
| 5 | (53) | (25) | 1 |
| 7 | (28) | 21 | 50 |
| 9 | (41) | 22 | 54 |

Property volatility has been adjusted to be a weighted average of equity and direct property due to the investment in the UKCPT.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

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

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

| | *Output Correlations @ Year 10* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | Equities | Property | Overseas Equities | 5yr Govt ZCB | 15yr Govt ZCB | 5yr Corp ZCB | 15yr Corp ZCB | 5yr Index Linked ZCB | 15yr Index Linked ZCB |
| Cash | 1.00 | (0.11) | N/A | (0.12) | (0.85) | (0.84) | (0.73) | (0.78) | N/A | N/A |
| Equities | | 1.00 | N/A | 0.57 | 0.16 | 0.14 | 0.24 | 0.21 | N/A | N/A |
| Property | | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Overseas equities | | | | 1.00 | 0.15 | 0.15 | 0.21 | 0.19 | N/A | N/A |
| 5yr Govt ZCB | | | | | 1.00 | 0.95 | 0.87 | 0.89 | N/A | N/A |
| 15yr Govt ZCB | | | | | | 1.00 | 0.83 | 0.92 | N/A | N/A |
| 5yr Corp ZCB | | | | | | | 1.00 | 0.94 | N/A | N/A |
| 15yr Corp ZCB | | | | | | | | 1.00 | N/A | N/A |
| 5yr Index Linked ZCB | | | | | | | | | N/A | N/A |
| 15yr Index Linked ZCB | | | | | | | | | | N/A |

Nominal foreign exchange rates are modelled as the combination of real exchange rates and inflation rates where real exchange rates follow a mean-reverting process and are calibrated to the long-term best estimates derived by Barrie & Hibbert.

(iii) The table below gives further information on the stochastic approach used based on 3000 scenarios:

| | | **Asset type (all UK assets)** | **K=0.75** | | | | **K=1** | | | | **K=1.5** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | 2.08% | 3.79% | 3.93% | 3.86% | x | x | x | x | x | x | x | x |
| 1 | | Risk-free zero coupon bond | 901,991 | 572,316 | 381,390 | 266,055 | x | x | x | x | x | x | x | x |
| 2 | | FTSE All Share Index (p=1) | 69,699 | 215,425 | 316,925 | 404,142 | 171,911 | 360,978 | 486,521 | 588,223 | 529,713 | 717,907 | 869,655 | 987,315 |
| 3 | | FTSE All Share Index (p=0.8) | 65,240 | 175,511 | 237,634 | 286,184 | 161,671 | 297,285 | 366,999 | 418,616 | 502,872 | 598,190 | 665,263 | 708,318 |
| 4 | | Property (p=1) | 74,570 | 181,490 | 266,337 | 339,291 | 195,913 | 334,739 | 438,867 | 523,099 | 564,648 | 709,680 | 832,816 | 929,037 |
| 5 | | Property (p=0.8) | 69,076 | 141,197 | 187,056 | 224,939 | 184,145 | 267,444 | 317,111 | 353,551 | 539,078 | 584,859 | 622,189 | 645,403 |
| 6 | | 15 year risk free zero coupon bond (p=1) | 21,287 | 20,531 | 15,481 | 20,704 | 92,121 | 82,139 | 86,972 | 122,544 | 500,457 | 500,382 | 506,978 | 529,701 |
| 7 | | 15 year risk free zero coupon bond (p=0.8) | 19,084 | 12,422 | 6,084 | 4,762 | 83,196 | 47,428 | 26,906 | 24,839 | 470,105 | 345,564 | 264,276 | 231,288 |
| 8 | | 15 year risk free bonds (p=1) | 23,971 | 28,909 | 32,232 | 48,495 | 100,429 | 105,044 | 118,556 | 152,819 | 500,446 | 496,512 | 509,391 | 538,747 |
| 9 | | 15 year risk free bonds (p=0.8) | 21,547 | 17,447 | 13,217 | 15,337 | 91,247 | 64,857 | 50,537 | 54,382 | 470,458 | 347,397 | 279,414 | 253,337 |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | 47,430 | 160,102 | 250,681 | 331,562 | 146,744 | 300,503 | 409,329 | 506,018 | 523,963 | 662,268 | 785,550 | 897,205 |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | 43,597 | 124,401 | 179,808 | 222,359 | 136,159 | 237,730 | 296,728 | 345,169 | 496,652 | 540,247 | 582,242 | 622,379 |
| 12 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1) | 32,715 | 118,412 | 194,965 | 266,922 | 118,392 | 243,800 | 337,125 | 425,776 | 509,526 | 598,450 | 701,035 | 798,788 |
| 13 | | Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8) | 29,701 | 88,847 | 135,301 | 171,684 | 108,543 | 186,620 | 234,904 | 279,054 | 480,318 | 474,815 | 501,875 | 534,480 |
| 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) | 18,523 | 70,020 | 127,243 | 183,332 | 98,484 | 181,537 | 256,397 | 329,846 | 504,164 | 548,121 | 618,154 | 698,109 |
| 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) | 16,201 | 47,763 | 78,795 | 105,115 | 88,462 | 127,482 | 162,316 | 193,964 | 474,506 | 418,015 | 416,668 | 435,613 |
| | | | | | | | | | | | | | | |
| | | | L=15 | | | | L=20 | | | | L=25 | | | |
| 16 | | Receiver swaptions | 10.73% | 10.17% | 8.33% | 6.32% | 13.33% | 12.55% | 10.17% | 7.65% | 15.65% | 14.58% | 11.68% | 8.70% |

(iv) UK initial equity yield: 3.46%
Overseas initial equity yield: 3.49%

(v) The following table shows entries (K=1 only) for the risk free rate and lines 1 and 2 for the Eurozone, the only economy outside the UK to which the fund has significant asset exposure. They are denominated in euros and based on 3,000 scenarios.

| | **Asset Type (EU Assets)** | **K=1** | | | |
|---|---|---|---|---|---|
| **n** | **Duration** | **5** | **15** | **25** | **35** |
| | Strike price per €1m | 1,061,867 | 1,564,428 | 2,346,830 | 3,497,374 |
| **r** | Annualised compound equivalent of the risk free rate | 1.21% | 3.03% | 3.47% | 3.64% |
| **1** | Risk-Free Coupon Bond | 941,737 | 639,211 | 426,107 | 285,929 |
| **2** | ESTOXX (p=1) | 175,753 | 319,196 | 422,137 | 529,911 |

(vi) The fund has significant hedge instruments that form a close match, in aggregate, to the liabilities of the fund. The hedge instruments include equity put options and swaptions. The following table compares the market prices (on a mid basis) for the instruments modelled within the stochastic model.

| **Outstanding Term (Years)** | **Options (£)** | | **Swaptions (£)** | |
|---|---|---|---|---|
| | **Market** | **Model** | **Market** | **Model** |
| 1-5 | 21,000,844 | 21,482,102 | 1,536,463 | 3,552,235 |
| 6-10 | 10,038,986 | 10,016,598 | 2,822,888 | 4,543,111 |
| 11-15 | 16,221,049 | 15,588,134 | 5,527,720 | 7,733,737 |
| 16-20 | 0 | 0 | 0 | 0 |
| **Total** | **47,260,878** | **47,086,834** | **9,887,070** | **15,829,083** |

Note that the modelled results in the above table are produced using a gilts+10 based calibration for consistency with the approach to valuing the liabilities. If a swaps-based calibration is used (which would be more consistent with how the market would price these contracts) the discrepancy between the market and modelled values is significantly smaller.

(vii) The asset models of each main asset class have been validated by comparing the net present value of a forty year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested namely the UK and the EU. At 3000 scenarios, the difference between the average net present value of each asset class of each economy and the current asset value was close (i.e. not statistically significant). This confirms that the total return is a martingale and risk neutral.

(viii) The assets and liabilities have been computed using 3,000 (1,500 antithetic pairs of) simulated scenarios. At 1,000 scenarios, the cost of options and guarantees converges to ±£1.548m at a 95% confidence interval. When the number of scenarios is increased to 3,000, the cost of options and guarantees converges to ±£0.879m.

(b) Not applicable.

(c) Not applicable.

## (5) Management Actions

(a) No management actions were assumed in calculating the working capital.

(b) Not applicable.

## (6) Persistency Assumptions

The surrender and paid-up rates are:

| Product | | Average Surrender/Paid-up rate for | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| CWP Savings Endowment | Surrender | 6.40% | 6.80% | 1.50% | 1.50% |
| CWP Target Cash Endowment | Surrender | 6.40% | 6.80% | 7.30% | 4.50% |
| UWP Bond | Surrender | 6.00% | 10.00% | 10.00% | 10.00% |
| UWP Target Cash Endowment | Surrender | 6.00% | 10.00% | 10.00% | 10.00% |
| UWP Bond | Automatic withdrawals | 13.00% | 11.40% | 1.25% | 1.25% |
| CWP Pension Regular Premium | PUP | 2.25% | 3.85% | 4.25% | 4.25% |
| CWP Pension Regular Premium | Surrender | 2.00% | 5.00% | 2.63% | 2.63% |
| CWP Pension Single Premium | Surrender | 2.00% | 5.00% | 2.63% | 2.63% |
| UWP Indiv Pension Regular Premium | PUP | 4.50% | 3.30% | 3.00% | 3.00% |
| UWP Indiv Pension Regular Premium | Surrender | 5.75% | 6.15% | 6.25% | 6.25% |
| UWP Indiv Pension Single Premium | Surrender | 5.75% | 6.15% | 6.25% | 6.25% |

Take-up Rates of Guaranteed Annuity Options

The assumed take-up rate varies with the degree of "money-ness" of the option, where this is defined as (market annuity rate / guaranteed annuity rate) at the retirement date.

| Moneyness Upper Limit (%) | Take-up Rate (%) |
|---|---|
| **100** | 0 |
| **140** | 75 |
| **160** | 85 |
| **9999** | 95 |

Annuitant Mortality

Deferred pension contracts (post vesting) include guaranteed annuity options.

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

## (7) Policyholders' Actions

Exercise of MVR-free options

The rate at which these options are exercised varies with the degree of "money-ness" of the option, where this is defined as (asset share / face value of units) at the MVR-free date. For the UK business the rates are:

| Moneyness Upper Limit (%) | Take-up Rate (%) |
|---|---|
| **75** | 100 |
| **90** | 75 |
| **100** | 25 |
| **9999** | 0 |

## 7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

## 8. OTHER LONG-TERM INSURANCE LIABILITIES

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

| | **£m** |
|---|---|
| Present value of future transfers | 36.4 |
| Additional charges on UWP | 12.3 |
| Statutory Liabilities for NP GAOs | 13.1 |
| Future projects and issues | 2.1 |
| VAT | 1.4 |
| Costs falling outside MSAs | 0.1 |
| TCF | 0.1 |
| Solvency II | 1.3 |
| Actuarial Systems Transformation | 0.0 |
| Strachan | 0.1 |
| Percana | 1.5 |
| Capita Regulatory Buyout | 0.1 |
| Mandarin Fees | 0.0 |
| Credit default Peak 1 provision | 0.0 |
| Fender | 0.0 |
| AST reconciliation impacts | 22.3 |
| | |
| **Total** | **90.9** |

AST Reconciliation
As a result of transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion processes will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements/corrections prior to full implementation of the new models.

## 9. REALISTIC CURRENT LIABILITIES

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

| **Description** | |
|---|---|
| Regulatory current liabilities | 765.2 |
| Recoverable deferred tax asset | 0.0 |
| Recoverable tax on excess E | 0.0 |
| **Total** | **765.2** |

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall (rise) by an amount which depends on the territory in question:

| **% Change in Equity Markets** | **%** |
|---|---|
| UK and "Non-significant" Overseas Holdings | 20.00 |
| Europe | 20.00 |
| USA | 20.00 |

The equity fall and the property rise were the more onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario again depends on the territory in question:

| Nominal change in yields on fixed interest securities | Nominal Change in Yields | % change in long term gilt yield |
|---|---|---|
| UK and "Non-significant" Overseas Holdings | 0.60% | 17.50% |
| Europe | 0.43% | 17.50% |
| USA | 0.61% | 17.50% |

In each case this is consistent with a rise or fall of 17.5% in the appropriate long term gilt yield. There is little difference between the various RCM scenarios; this is due to a varying degree of hedge effectiveness.

(iii) The average change in spread is 1.02%. Changes in market values are:

(a) (6.40%)
(b) Not applicable
(c) Not applicable
(d) Not applicable
(e) Not applicable

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 1.06%.

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

(b) (i) In the stress scenarios the following additional assumption is made:

The planned benefit enhancements will be reduced by £18.35m, resulting in £nil working capital under the stressed conditions.

(ii) The effect on the risk capital margin of reducing the planned benefit enhancements is a reduction of £18.35m.

(iii) No changes would be made to equity backing ratios or bonus rates if the management actions were taken

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

(c) Assets covering risk capital margin

(i) The risk capital margin is covered by the assets of the long-term fund.

(ii) The scheme for the funds merger as at 1 January 2009 includes a provision that in the event that the value of the assets of the fund falls below the regulatory minimum, support will be provided to the fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

(d) A stock lending arrangement is in place at the current valuation which created a liability and an asset of equal value from a balance sheet perspective. Under the terms of the agreement the stock lending at the current valuation does not result in material risk under the stress scenarios as stock lending assets are matched to stock lending liabilities on a daily mark to market basis. As such no allowance has been made for this in the RCM scenarios under Peak 2 reporting.

## 11. TAX

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

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

An amount in respect of deferred tax on anticipated recoverable investment losses has been used to reduce current liabilities.

## 12. DERIVATIVES

A number of structured derivative contracts are held within the fund at the valuation date to enable the fund to withstand the impact of adverse conditions. They are constructed from at-the-money vanilla over-the-counter derivatives – equity put options, equity futures, interest rate swaps, interest rate swaptions and spreadlocks – with outstanding terms ranging from 1 to 20 years.

As at the valuation date the total market price of these derivatives, on a bid basis, is £89.04m. This is split as follows:

| Type | GBP (£m) | EUR (£m) | Total (£m) |
|---|---|---|---|
| Swaps | 10.59 | 28.90 | 39.49 |
| Swaptions | 6.14 | 2.82 | 8.96 |
| Options | 33.36 | 13.45 | 46.81 |
| Futures | 2.75 | 2.00 | 4.75 |
| Spreadlocks | (10.83) | 0.00 | (10.83) |
| **Total derivatives backing guarantees** | **42.01** | **47.17** | **89.18** |
| Other derivatives backing benefit reserves | | | 1.01 |
| **Total** | | | **90.19** |

The other derivatives form part of the assets backing asset shares and constitute less than 0.1% of the total.

## 13. ANALYSIS OF WORKING CAPITAL

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

| £m | £m<br>Current Valuation |
|---|---|
| **Opening working capital** | 0.0 |
| Write back planned benefit enhancements to zeroise working capital | 345.1 |
| **Revised opening working capital** | **345.1** |
| Opening adjustments and modelling changes | (15.0) |
| **Restated opening working capital** | **330.1** |
| Investment return on working capital | (13.9) |
| Mismatch profits and losses | 0.0 |
| Assumption changes | |
| - Non-economic | (37.3) |
| - Economic | (0.7) |
| - Policyholder actions | 0.0 |
| Impact of new business | 0.0 |
| Other variances | |
| - Non-economic | 18.0 |
| - Economic | 27.8 |
| - Changes in provisions | 2.0 |
| - Asset share enhancements | (42.6) |
| - Unexplained | 5.2 |
| **Closing working capital before zeroisation** | **288.6** |
| Planned benefit enhancements to zeroise working capital | (304.3) |
| Impact of planned enhancement on future policy related liabilities | 15.7 |
| **Closing working capital** | **0.0** |

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Discounted value of future transfer to shareholders | 36.4 | 38.0 |
| Excess charges on UWP fund | 12.3 | 8.5 |
| Mathematical reserves in respect of non-profit GAOs | 13.1 | 13.1 |
| Provisions | 29.1 | 33.3 |
| **Total** | **90.9** | **92.8** |

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

| £m | Current Valuation | Previous Valuation |
|---|---|---|
| Regulatory current liabilities | 765.2 | 879.0 |
| Recoverable deferred tax asset | 0.0 | 0.0 |
| Recoverable tax on excess E | 0.0 | (0.6) |
| **Realistic current liabilities** | **765.2** | **878.4** |

## 14. OPTIONAL DISCLOSURE

As in previous years, a provision has been established to distribute all of the realistic estate so the published realistic estate in Form 19 is zero and the value of the liabilities is the realistic value of the assets available to the fund. To ensure consistency with the other entities within the group, the PLL with-profits funds (including this Fund) make an allowance for the subsequent impact of this provision on the cost of guarantees.

# APPENDIX 9.4A

## NPI WITH-PROFITS FUND

As part of the transfer of NPIL to PLL on 1st January 2012 a new NPI WP fund was created. NPIL held predominantly non-profit business but the unit-linked business had a unitised with-profit (UWP) option and this business transferred to NPI WP.

The UWP business is wholly reinsured to Phoenix Life Assurance Limited (the former Pearl Assurance Limited), including associated expenses and charges; the NPI WP fund therefore has no net assets. Asset shares and any bonuses paid by the NPI WP fund are determined by the reinsurer. As a consequence the NPI WP fund does not require the appointment of a With-Profits Actuary. Further to this it is also not the intention to complete Appendix 9.4a since the detailed questions are not applicable.

**Returns under the Accounts and Statements Rules**

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

**Phoenix Life Limited**

**Global business**

**Financial year ended 31 December 2013**

Throughout the year, the actuary who was appointed to perform the with-profits actuary function for the Alba With-Profits Fund was Ms H C Jones.

1 (a) During the year Ms Jones held options to subscribe for up to 1,604 shares in Phoenix Group Holdings, the ultimate holding company, granted under the Company's Save As You earn Scheme (SAYE).

(b) Ms Jones had no other pecuniary interest with the insurer during the year.

(c) The aggregate of the remuneration and value of other benefits receivable by Ms Jones from the insurer in respect of 2013 was £160,271.

(d) Ms Jones 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 of Ms Jones to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Ms Jones.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

**Returns under the Accounts and Statements Rules**

**Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36**

**Phoenix Life Limited**

**Global business**

**Financial year ended 31 December 2013**

Throughout the year, the actuary who was appointed to perform the with-profits actuary function for the 90% With-Profits Fund, 100% With-Profits Fund, Phoenix With-Profits Fund, Scottish Mutual With-Profits Fund, SPI With-Profits Fund, SAL With-Profits Fund and NPI With-Profits Funds was Mr A E Burke.

1 (a) During the year Mr Burke held up to 5,696 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company. He also held up to 574 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan, and options to subscribe for up to 37,461 shares in PGH granted under the Company's Long Term Incentive Plan and the Save As You Earn Scheme (SAYE).

(b) Mr Burke had no other pecuniary interest with the insurer during the year.

(c) The aggregate of the remuneration and value of other benefits receivable by Mr Burke from the insurer in respect of 2013 was £223,237.

(d) Mr Burke 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 of Mr Burke to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Mr Burke.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

**Returns under the Accounts and Statements Rules**

**Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36**

**Phoenix Life Limited**

**Global business**

**Financial year ended 31 December 2013**

Throughout the year, the actuary who was appointed to perform the with-profits actuary function for the Britannic Industrial Branch Fund and the Britannic With-Profits Fund was Mr K J Arnott.

1 (a) During the year Mr Arnott held up to 574 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan. He also held options to subscribe for up to 59,471 shares in PGH granted under the Company's Long Term Incentive Plan.

(b) Mr Arnott held an insurance policy issued by the insurer in the normal course of business, the transactions being of a minor nature.

(c) The aggregate of the remuneration and value of other benefits receivable by Mr Arnott from the insurer in respect of 2013 was £317,117.

(d) Mr Arnott was a member of the PGL Pension Scheme throughout the year, and was entitled to the standard benefits under the rules of the scheme.

2 The insurer has made a request of Mr Arnott to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Mr Arnott.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

**Returns under the Accounts and Statements Rules**

**Certificate required by rule 9.34(1)**

**Phoenix Life Limited**

**Global business**

**Financial year ended 31 December 2013**

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 0201; and

(b) we are satisfied that:

(i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and

(ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

(2) (a) in our opinion, premiums for contracts of long-term insurance business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular to establish adequate mathematical reserves;

(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

(c) the with profits funds have been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and

(d) the directors, have in preparing the return, taken and paid due regard to:

(i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and

(ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

| M J Merrick | A Moss | S C True |
|---|---|---|
| ........................ | ........................ | ........................ |
| Chief Executive | Director | Director |

Date: 18 March 2014

## PRA RETURN REPORT

## Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

### Phoenix Life Limited

### Global business

### Financial year ended 31 December 2013

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the 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 on 29 January 2009 and 4 February 2013 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

**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 2014. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

**Opinion**

In our opinion:

(a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and

(b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP

Ernst & Young LLP

Statutory Auditor

London

20 March 2014