

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

Registered in England - No. 1419

Registered office

The Pearl Centre, Lynch Wood,

Peterborough. PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2007

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

Statement of solvency - general insurance businessName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Adjusted solo solvency calculation

R1	Company registration number	GL/UK/CM	day month year			Units
			31	12	2007	
	1419	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising outside the long-term insurance fund	11	525288	768318
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	510288	753318
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	15000	15000

Guarantee fund

Guarantee fund requirement	21	2231	2139
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	12769	12861

Minimum capital requirement (MCR)

General insurance capital requirement	31	3224	3224
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	3224	3224
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	3224	3224
Excess (deficiency) of available capital resources to cover 50% of MCR	37	13388	13388
Excess (deficiency) of available capital resources to cover 75% of MCR	38	12582	12582

Capital resources requirement (CRR)

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

Contingent liabilities

Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**



J S Moss

Managing Director



J S B Smith

Director



J R Cusins

Director

Date **20 March 2008**

Statement of solvency - long-term insurance businessName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Adjusted solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
	R2	1419	GL	31	12	2007
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	1678843	1708817
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	510288	753318
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2189131	2462135

Guarantee fund

Guarantee fund requirement	21	346830	393241
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1842301	2068261

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	385093	466979
Resilience capital requirement	32		
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	385093	466979
Capital requirements of regulated related undertakings	35	220696	239721
Minimum capital requirement (34+35)	36	605789	706700
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1886237	2088651
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1734790	1932110

Enhanced capital requirement

With-profits insurance capital component	39	1079764	1034384
Enhanced capital requirement	40	1685553	1741084

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1685553	1741084
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	503578	721051

Contingent liabilities

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

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
	R3	1419	GL	31	12	2007
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
		1	2	3		4

Core tier one capital

Permanent share capital	11		342109	342109	342109
Profit and loss account and other reserves	12	27794	787674	815468	819446
Share premium account	13		40716	40716	40716
Positive valuation differences	14		1161482	1161482	1157520
Fund for future appropriations	15		306027	306027	345294
Core tier one capital in related undertakings	16		(95331)	(95331)	(166914)
Core tier one capital (sum of 11 to 16)	19	27794	2542677	2570471	2538171

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	27794	2542677	2570471	2538171
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34	12794		12794	7526
Other negative valuation differences	35				
Deductions in related undertakings	36		68466	68466	73644
Deductions from tier one (32 to 36)	37	12794	68466	81260	81170
Total tier one capital after deductions (31-37)	39	15000	2474211	2489211	2457001

Components of capital resources

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	1419	GL	31	12	2007	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3	4		

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				32766
Upper tier two capital (44 to 47)	49				32766

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53		65000	65000	59930
Lower tier two capital (51+52+53)	59		65000	65000	59930

Total tier two capital before restrictions (49+59)	61		65000	65000	92696
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		65000	65000	92696

Components of capital resourcesName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2007	£000
		General insurance business	Long-term insurance business		Total as at the end of this financial year	Total as at the end of the previous year
		1	2		3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72	15000	2539211	2554211	2549697	
Inadmissible assets other than intangibles and own shares	73		23348	23348	3866	
Assets in excess of market risk and counterparty limits	74		326732	326732	68696	
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	15000	2189131	2204131	2477135	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81	15000	2189131	2204131	2476502	
Available capital resources for 50% MCR requirement	82	15000	2189131	2204131	2457001	
Available capital resources for 75% MCR requirement	83	15000	2189131	2204131	2477135	

Financial engineering adjustments

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

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

General insurance business

	Company registration number	GL/UK/CM	day	month	year	Units		
	R11	1419	GL	31	12	2007	£000	
						This financial year 1	Previous year 2	
Gross premiums written						11	(5)	
Premiums taxes and levies (included in line 11)						12		
Premiums written net of taxes and levies (11-12)						13	(5)	
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	(5)	
Gross premiums earned						21	(5)	
Premium taxes and levies (included in line 21)						22		
Premiums earned net of taxes and levies (21-22)						23	(5)	
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	(5)	
Sub-total I (higher of sub-total A and sub-total H)						30	(5)	
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	(1)
	Excess (if any) over 53.1M EURO x 0.02						33	
Sub-total J (32-33)						34	(1)	
Claims paid in period of 3 financial years						41	26060	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis						42	7757
	For insurance business accounted for on an accident year basis						43	46676
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis						44	197053
	For insurance business accounted for on an accident year basis						45	29866
Sub-total C (41+42+43-44-45)						46	(146426)	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C						47	(159251)	
Sub-total D (46-47)						48	12825	
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)						49	0.50	
Premiums amount (Sub-total J x reinsurance ratio)						50	(1)	
Provision for claims outstanding (before discounting and net of reinsurance)						51	39692	
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	3224	
Greater of lines 50 and 53						54	3224	

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Long term insurance business

R11	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2007	£000
			This financial year			Previous year
			1			2
Gross premiums receivable		11	1622			1763
Premiums taxes and levies (included in line 11)		12				
Premiums receivable net of taxes and levies (11-12)		13	1622			1763
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15	1577			1712
Sub-total A (13 + 1/2 14 - 2/3 15)		16	571			621
Gross premiums earned		21	1628			1769
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	1626			1769
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25	1581			1718
Sub-total H (23 + 1/2 24 - 2/3 25)		26	572			623
Sub-total I (higher of sub-total A and sub-total H)		30	572			623
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	103			112
	Excess (if any) over 53.1M EURO x 0.02	33				
Sub-total J (32-33)		34	103			112
Claims paid in period of 3 financial years		41	1702			1871
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42				
	For insurance business accounted for on an accident year basis	43	2646			2799
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44				
	For insurance business accounted for on an accident year basis	45	2769			2646
Sub-total C (41+42+43-44-45)		46	1579			2024
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	1493			1915
Sub-total D (46-47)		48	86			109
Reinsurance Ratio (Sub-total D /sub-total C or, if more,50% or, if less, 100%)		49	0.50			0.50
Premiums amount (Sub-total J x reinsurance ratio)		50	51			56
Provision for claims outstanding (before discounting and net of reinsurance)		51				
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		52	93			93
Greater of lines 50 and 52		53	93			93

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2007	£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				26060	67692	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22				7757	174476	
	For insurance business accounted for on an accident year basis	23				46676	41706	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24				197053	244553	
	For insurance business accounted for on an accident year basis	25				29866	44202	
Claims incurred in reference period (21+22+23-24-25)		26				(146426)	(4881)	
Claims incurred for classes 11, 12 or 13 (included in 26)		27				11630	8100	
Claims incurred for "actuarial health insurance" (included in 26)		28						
Sub-total E (26 +1/2 27 - 2/3 28)		29				(140611)	(831)	
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				(46870)	(277)	
Division of sub-total F (gross adjusted claims amount)	x 0.26	32				(12186)	(72)	
	Excess (if any) over 37.2M EURO x 0.03	33						
Sub-total G (32-33)		39				(12186)	(72)	
Claims amount Sub-total G x reinsurance ratio (11.49)		41				(6093)	(42)	
Higher of premiums amount and brought forward amount (11.54)		42				3224	3224	
General insurance capital requirement (higher of lines 41 and 42)		43				3224	3224	

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2007	£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	1702			1871
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	2646			2799
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	2769			2646
Claims incurred in reference period (21+22+23-24-25)				26	1579			2024
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	1493			1915
Sub-total E (26 +1/2 27 - 2/3 28)				29	584			747
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	195			249
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	51			65
	Excess (if any) over 37.2M EURO x 0.03			33				
Sub-total G (32-33)				39	51			65
Claims amount Sub-total G x reinsurance ratio (11.49)				41	51			32
Higher of premiums amount and brought forward amount (11.53)				42	93			93
General insurance capital requirement (higher of lines 41 and 42)				43	93			93

Analysis of admissible assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		11151
	Debts and loans	26	67500	78238
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	671118		
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	35474	16974	
Rights under derivative contracts	44	17475	2961	
Fixed interest securities	Approved	45	125102	211941
	Other	46	10011	
Variable interest securities	Approved	47		
	Other	48	81973	42547
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	31763	31763	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	70408	9100
	More than one month withdrawal	55	10000	103548
Other financial investments	56			
Deposits with ceding undertakings	57	53	53	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61	14741	184847
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	7	11
	Ceded	75		
Dependants	due in 12 months or less	76	1	576
	due in more than 12 months	77		
Other	due in 12 months or less	78	30209	46506
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	88551	57611
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	10018	6983
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	31	78

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1264435	804888
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1264435	804888
Admissible assets in excess of market and counterparty limits	92	311525	59019
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94	220697	239721
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	84656	147862
Inadmissible assets of regulated related undertakings	96	1846	1820
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	(15262)	(1270)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	1867897	1252040
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1	4634

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	1419	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			113640	126825

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	161618	11348
	Debts and loans	26	67960	80000
Other group undertakings	Shares	27	48862	40253
	Debts and loans	28	64677	55000
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	3104387	2250267	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1752138	1798950	
Rights under derivative contracts	44	285715	175522	
Fixed interest securities	Approved	45	3216346	4454775
	Other	46	2207092	2837480
Variable interest securities	Approved	47	62626	76977
	Other	48	1045891	808667
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	10734	11412	
Other loans	53	46645	47073	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	28372	8996
	More than one month withdrawal	55	20000	30000
Other financial investments	56			
Deposits with ceding undertakings	57	35869	38723	
Assets held to match linked liabilities	Index linked	58	74277	74522
	Property linked	59	41281	35679

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	4229	7012
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	12338	3
	Ceded	75	297	244
Dependants	due in 12 months or less	76	943	16397
	due in more than 12 months	77		
Other	due in 12 months or less	78	34589	24798
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	130094	75804
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	110781	126115
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	16035	21758

Deductions from the aggregate value of assets	87	
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	12697436	13234600
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	12697436	13234600
Admissible assets in excess of market and counterparty limits	92	15207	9677
Inadmissible assets directly held	93	21502	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	14139	
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	2740460	10318
Other asset adjustments (may be negative)	101		(15270)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	15488744	13239325
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	150335	137465

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		113640	126825	

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	87744	11348
	Debts and loans	26		
Other group undertakings	Shares	27	48862	40253
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2788106	2250267	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1301808	1745631	
Rights under derivative contracts	44	204418	175522	
Fixed interest securities	Approved	45	2519313	3195474
	Other	46	1604679	1682367
Variable interest securities	Approved	47	62626	63954
	Other	48	462452	473383
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	10734	11412	
Other loans	53	46645	47073	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	28372	8996
	More than one month withdrawal	55	18886	25467
Other financial investments	56			
Deposits with ceding undertakings	57	35869	38723	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	41281	35679

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	4167	6697
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	12338	3
	Ceded	75		
Dependants	due in 12 months or less	76	12698	5152
	due in more than 12 months	77		
Other	due in 12 months or less	78	21408	48792
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	66272	23075
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	74059	76134
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	15487	13758

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	9581864	10105985
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	9581864	10105985
Admissible assets in excess of market and counterparty limits	92	15207	
Inadmissible assets directly held	93	7824	
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	9665	9899
Other asset adjustments (may be negative)	101	(22930)	(23891)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	18544	19480

Analysis of admissible assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	67960	80000
Other group undertakings	Shares	27		
	Debts and loans	28	64677	55000
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	15586	53319	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	44276	24785
	Other	46	26550	29882
Variable interest securities	Approved	47		
	Other	48	23870	
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	1114	4533
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	297	244
Dependants	due in 12 months or less	76	393	11245
	due in more than 12 months	77		
Other	due in 12 months or less	78	14998	6369
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3645	260
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1785	3459
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	79	1836

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	265230	270932
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	265230	270932
Admissible assets in excess of market and counterparty limits	92		9677
Inadmissible assets directly held	93	741	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	14139	
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	(1208)	419
Other asset adjustments (may be negative)	101	(12189)	(17057)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	145926	164896

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		73874
	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		316281	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		434744	
Rights under derivative contracts	44		81297	
Fixed interest securities	Approved	45	652757	1234516
	Other	46	575863	1125231
Variable interest securities	Approved	47		13023
	Other	48	559569	335284
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	74277	74522
	Property linked	59		

Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1419	GL	31	12	2007	£000
					As at end of this financial year	As at end of the previous year
					1	2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	62	315
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	957	
	Ceded	75		
Dependants	due in 12 months or less	76	22670	
	due in more than 12 months	77		
Other	due in 12 months or less	78	882	7852
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	60177	52469
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	34937	46522
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	469	6164

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	2888816	2895898
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2007	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	2888816	2895898
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	12937	
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	2732003	
Other asset adjustments (may be negative)	101	(3354)	(12537)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	20984	2716

Long term insurance business liabilities and margins

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	8045642	11211729	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	245181	190803	
Long term insurance business fund carried forward (11 to 13)	14	8290823	11402532	
Claims outstanding	Gross	15	63539	67224
	Reinsurers' share	16		
	Net (15-16)	17	63539	67224
Provisions	Taxation	21	47820	70130
	Other risks and charges	22	23185	30561
Deposits received from reinsurers	23	2574087		
Creditors	Direct insurance business	31	352	565
	Reinsurance accepted	32	300	17341
	Reinsurance ceded	33	355	186
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	6685	
	Other	38	252006	126485
Accruals and deferred income	39	1515	1467	
Provision for "reasonably foreseeable adverse variations"	41	3012		
Total other insurance and non-insurance liabilities (17 to 41)	49	2972951	314054	
Excess of the value of net admissible assets	51	1433662	1518015	
Total liabilities and margins	59	12697436	13234601	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6384	19706
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	41281	35679

Total liabilities (11+12+49)	71	11018593	11525783
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2740460	10318
Other adjustments to liabilities (may be negative)	74	1163186	1140204
Capital and reserves and fund for future appropriations	75	566505	563020
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	15488744	13239325

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Total business/Sub fund **90:10**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	7738925	8278427	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	71349	37482	
Long term insurance business fund carried forward (11 to 13)	14	7810274	8315909	
Claims outstanding	Gross	15	60621	64225
	Reinsurers' share	16		
	Net (15-16)	17	60621	64225
Provisions	Taxation	21	45220	65100
	Other risks and charges	22	23185	30561
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	352	561
	Reinsurance accepted	32		10718
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	7978	5098
	Other	38	216951	115236
Accruals and deferred income	39	1514	1467	
Provision for "reasonably foreseeable adverse variations"	41	3012		
Total other insurance and non-insurance liabilities (17 to 41)	49	358928	293061	
Excess of the value of net admissible assets	51	1412662	1497015	
Total liabilities and margins	59	9581864	10105985	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	28270	16415
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	41281	35679

Total liabilities (11+12+49)	71	8097853	8571488
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Total business/Sub fund **0:100 BLAGAB**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	56827	62940	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	167853	148321	
Long term insurance business fund carried forward (11 to 13)	14	224680	211261	
Claims outstanding	Gross	15	2218	2203
	Reinsurers' share	16		
	Net (15-16)	17	2218	2203
Provisions	Taxation	21	2600	3830
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		4
	Reinsurance accepted	32		
	Reinsurance ceded	33	355	186
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	1100	
	Other	38	13277	32449
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	19550	38672	
Excess of the value of net admissible assets	51	21000	21000	
Total liabilities and margins	59	265230	270933	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	12177	30468
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	76377	101612
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Total business/Sub fund **0:100 PENSIONS**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	249890	2870362	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5979	5000	
Long term insurance business fund carried forward (11 to 13)	14	255869	2875362	
Claims outstanding	Gross	15	700	796
	Reinsurers' share	16		
	Net (15-16)	17	700	796
Provisions	Taxation	21		1200
	Other risks and charges	22		
Deposits received from reinsurers	23	2574087		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32	300	6623
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	3	
	Other	38	57856	11917
Accruals and deferred income	39	1		
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	2632947	20536	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	2888816	2895898	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1056	5365
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	2882837	2890898
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/UK/CM	day	month	year	Units	
	R15	1419	GL	31	12	2007	£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	54433	216182
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	54433	216182

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22	500	500
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42	981	948
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	19919	24737
	Foreseeable dividend	48		
	Other	49	877603	26898
Accruals and deferred income		51	4703	7027
Total (19 to 51)		59	958139	276292
Provision for "reasonably foreseeable adverse variations"		61	1704	
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	959843	276292

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	4343	1332
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Amounts deducted from technical provisions for discounting	82	12794	7526
Other adjustments (may be negative)	83	(16968)	(1270)
Capital and reserves	84	937816	984544
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	1867897	1252040

Profit and loss account (non-technical account)

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2007	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11	28		1194	
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13	(11313)		164448	
Investment income	Income		14	32881		30495	
	Value re-adjustments on investments		15	8368		144964	
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17	385		21	
	Value re-adjustments on investments		18				
	Loss on the realisation of investments		19	3144		106015	
Allocated investment return transferred to the general insurance business technical account			20	3265		671	
Other income and charges (particulars to be specified by way of supplementary note)			21	(12090)		653	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	11080		235047	
Tax on profit or loss on ordinary activities			31	(2592)		6139	
Profit or loss on ordinary activities after tax (29-31)			39	13672		228908	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				
Tax on extraordinary profit or loss			42				
Other taxes not shown under the preceding items			43				
Profit or loss for the financial year (39+41-(42+43))			49	13672		228908	
Dividends (paid or foreseeable)			51	118623		244000	
Profit or loss retained for the financial year (49-51)			59	(104951)		(15092)	

Analysis of derivative contractsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2007	£000	1
		As at the end of this financial year				As at the end of the previous year			
		Assets		Liabilities		Assets		Liabilities	
		1		2		3		4	
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12	481		676				
	Land	13							
	Currencies	14			619				
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22	8960		8960				
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	8515				2961		338
Adjustment for variation margin		41	(481)		(676)				
Total (11 to 41)		49	17475		9579		2961		338

Analysis of derivative contractsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2007	£000	10
Derivative contracts		As at the end of this financial year			As at the end of the previous year				
		Assets 1		Liabilities 2		Assets 3		Liabilities 4	
Futures contracts	Fixed-interest securities	11	1234	146	4717	1360			
	Equity shares	12	262	5722	601	919			
	Land	13							
	Currencies	14	17359	84751	1576	5489			
	Other	15							
Options	Fixed-interest securities	21	45819						
	Equity shares	22			204	332			
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	222537	95295	173742	48611			
Adjustment for variation margin		41	(1496)	(5868)	(5318)	(2279)			
Total (11 to 41)		49	285715	180046	175522	54432			

Analysis of derivative contractsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **90:10**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2007	£000	13
Derivative contracts		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Futures contracts	Fixed-interest securities	11	855	146	4717	1360			
	Equity shares	12	262	5722	601	919			
	Land	13							
	Currencies	14	1516	53530	1576	5489			
	Other	15							
Options	Fixed-interest securities	21	45609						
	Equity shares	22			204	332			
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	157293	74178	173742	43089			
Adjustment for variation margin		41	(1117)	(5868)	(5318)	(2279)			
Total (11 to 41)		49	204418	127708	175522	48910			

Analysis of derivative contractsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Category of assets **0:100 PENSIONS**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2007	£000	12
Derivative contracts			As at the end of this financial year			As at the end of the previous year			
			Assets		Liabilities		Assets		Liabilities
			1		2		3		4
Futures contracts	Fixed-interest securities	11	379						
	Equity shares	12							
	Land	13							
	Currencies	14	15843		31221				
	Other	15							
Options	Fixed-interest securities	21	210						
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	65244		21117				5522
Adjustment for variation margin		41	(379)						
Total (11 to 41)		49	81297		52338				5522

With-profits insurance capital component for the fund

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 With-profits fund **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	9581864	10105985
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	232337	224581
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	7907	9023
	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	9341620	9872381
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	7506588	8053847
	Regulatory current liabilities of the fund	22	358928	293061
	Total (21+22)	29	7865516	8346908
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	257772	325386
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	8123288	8672294
Regulatory excess capital (19-39)		49	1218332	1200087

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	1218332	1200087
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	138568	165703
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	1079764	1034384

Realistic balance sheet

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

With-profits fund **90:10**

Financial year ends **31 December 2007**

Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	9341620	9872382
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	15207	613
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	49548	23235
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	9406375	9896230
Support arrangement assets	27		
Assets available to the fund (26+27)	29	9406375	9896230

Realistic value of liabilities of fund

With-profits benefit reserve	31	6939534	7649112	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	107292	163249
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	819813	441734
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	65346	43705
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		1929
	Future costs of contractual guarantees (other than financial options)	41	249223	267899
	Future costs of non-contractual commitments	42	82932	78750
	Future costs of financial options	43	339353	365723
	Future costs of smoothing (possibly negative)	44	30947	17312
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	546711	665024
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2110925	1954057
Realistic current liabilities of the fund	51	355916	293061	
Realistic value of liabilities of fund (31+49+51)	59	9406375	9896230	

Realistic balance sheetName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**With-profits fund **90:10**Financial year ends **31 December 2007**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	9406375	9896230
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	9406375	9896230
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	365012	579131
Additional amount potentially available for inclusion in line 63	82	23100	28350

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2007
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year		
			Reported	Incurred but not reported			
		1	2	3	4		
1	Total business	1		10528	41100		
2	Total primary (direct) and facultative business	2		8306	38370		
3	Total treaty reinsurance accepted business	3		2222	2730		

110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4				
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5		2229	801	
160	Primary (direct) and facultative household and domestic all risks	6		1390	1140	
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7			379	
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8		740	543	
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		82	11	
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		3858	35496	
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11				
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12				
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13				
350	Total primary (direct) and facultative goods in transit	14		7		
400	Miscellaneous primary (direct) and facultative business	15				
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16		367	275	
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17		1855	2455	
700	Miscellaneous treaty reinsurance accepted business	18				
	Total (lines 4 to 18)	20		10528	41100	

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2007
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year		
		1	Reported	Incurred but not reported			4
			2	3			

Primary (direct) and facultative personal lines business

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23				
114	Personal accident or sickness	24				
121	Private motor - comprehensive	25		724	252	
122	Private motor - non-comprehensive	26		1505	549	
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28		1390	1140	
181	Assistance	29				
182	Creditor	30				
183	Extended warranty	31				
184	Legal expenses	32				
185	Mortgage indemnity	33				
186	Pet insurance	34				
187	Other personal financial loss	35			379	

Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42		740	543	
223	Motor other	43				
261	Commercial property	44		52	11	
262	Consequential loss	45		30		
263	Contractors or engineering all risks	46				
271	Employers liability	47		2654	34431	
272	Professional indemnity	48				
273	Public and products liability	49		1204	1065	
274	Mixed commercial package	50				
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

Primary (direct) and facultative aviation

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

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

R20A	Company registration number	GL/UK/CM	day month year			units
			31	12	2007	
	1419	GL				£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year	
		1	Reported	Incurred but not reported	4	
			2	3		

Primary (direct) and facultative marine and transport

341	Marine liability	64			
342	Marine hull	65			
343	Energy (on and off-shore)	66			
344	Protection and indemnity	67			
345	Freight demurrage and defence	68			
346	War risks	69			
347	Yacht	70			
350	Total primary (direct) and facultative goods in transit (equals line 14)	71		7	

Primary (direct) and facultative miscellaneous

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

510	Non-proportional accident and health	81			
520	Non-proportional motor	82	238	179	
530	Non-proportional aviation	83			
540	Non-proportional marine	84			
550	Non-proportional transport	85			
560	Non-proportional property	86	32	24	
570	Non-proportional liability (non-motor)	87	97	72	
580	Non-proportional financial lines	88			
590	Non-proportional aggregate cover	89			

Proportional treaty

610	Proportional accident and health	91			
620	Proportional motor	92			
630	Proportional aviation	93			
640	Proportional marine	94	1795	2409	
650	Proportional transport	95			
660	Proportional property	96	15	11	
670	Proportional liability (non-motor)	97	38	29	
680	Proportional financial lines	98	7	6	
690	Proportional aggregate cover	99			

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101			
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	Total (lines 21 to 101)	111	10528	41100	
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General insurance business : Technical account (excluding equalisation provisions)

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2007

Total business

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	001
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22			8261		1341	
	Claims management costs (22.14.4)		23			(674)		252	
	Adjustment for discounting (22.51.4)		24			5267		2262	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26					155	
	Balance (21-22-23+24+25-26)		29			(2320)		514	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31			(917)		9	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39			(917)		9	
Balance of all years' underwriting (19+29+39)			49			(3237)		523	
Allocated investment income			51			3265		671	
Transfer to non-technical account (49+51)			59			28		1194	

General insurance business : Technical account (excluding equalisation provisions)

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Total primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	002
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium	(21 19 5)	11						
	Claims incurred	(22 17 4)	12						
	Claims management costs	(22 18 4)	13						
	Adjustment for discounting	(22 52 4)	14						
	Increase in provision for unexpired risks (22 19 4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11 5)	21						
	Claims incurred	(22.13 4)	22				8261	1341	
	Claims management costs	(22.14 4)	23				(674)	252	
	Adjustment for discounting	(22.51 4)	24				5267	2262	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41 4)	26					155	
Balance (21-22-23+24+25-26)		29				(2320)	514		
Balance from underwriting year accounting	Per Form 24	(24 69 99-99)	31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				(2320)	514	
Allocated investment income			51				2976	612	
Transfer to non-technical account (49+51)			59				656	1126	

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

Global business

Financial year ended **31 December 2007****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	003
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium	(21 19 5)	11						
	Claims incurred	(22.17 4)	12						
	Claims management costs	(22 18.4)	13						
	Adjustment for discounting	(22.52 4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11 5)	21						
	Claims incurred	(22.13 4)	22						
	Claims management costs	(22 14.4)	23						
	Adjustment for discounting	(22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22 41 4)	26						
Balance (21-22-23+24+25-26)		29							
Balance from underwriting year accounting	Per Form 24	(24 69 99-99)	31				(917)		9
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(917)		9
Balance of all years' underwriting (19+29+39)			49				(917)		9
Allocated investment income			51				289		59
Transfer to non-technical account (49+51)			59				(628)		68

General insurance business : Technical account (excluding equalisation provisions)

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2007

Total primary (direct) and facultative personal lines motor business

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	120
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22				(59)	(51)	
	Claims management costs (22.14.4)		23				8	5	
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26				4	74	
Balance (21-22-23+24+25-26)		29				47	(28)		
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				47	(28)	
Allocated investment income			51					1	
Transfer to non-technical account (49+51)			59				47	(27)	

General insurance business : Technical account (excluding equalisation provisions)

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2007

Total primary (direct) and facultative commercial lines liability business

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	270
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium	(21 19.5)	11						
	Claims incurred	(22 17 4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks	(22.19.4)	15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42 4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22				8067		1395
	Claims management costs	(22.14.4)	23				22		200
	Adjustment for discounting	(22.51.4)	24				5267		2262
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26				58		68
	Balance (21-22-23+24+25-26)		29				(2880)		599
Balance from underwriting year accounting	Per Form 24	(24.69 99-99)	31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				(2880)		599
Allocated investment income			51				2901		571
Transfer to non-technical account (49+51)			59				21		1170

General insurance business : Technical account (excluding equalisation provisions)

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2007

Balance of all primary (direct) and facultative business

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	409
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22				253	(3)	
	Claims management costs	(22.14.4)	23				(704)	47	
	Adjustment for discounting	(22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26				(62)	13	
	Balance (21-22-23+24+25-26)		29				513	(57)	
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				513	(57)	
Allocated investment income			51				75	40	
Transfer to non-technical account (49+51)			59				588	(17)	

General insurance business : Technical account (excluding equalisation provisions)

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2007

Total non-proportional treaty reinsurance business accepted

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	500
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21 19.5)		11						
	Claims incurred (22 17.4)		12						
	Claims management costs (22 18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22 42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21 11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
Balance (21-22-23+24+25-26)		29							
Balance from underwriting year accounting	Per Form 24 (24 69.99-99)		31				(957)	33	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(957)	33	
Balance of all years' underwriting (19+29+39)			49				(957)	33	
Allocated investment income			51				280	56	
Transfer to non-technical account (49+51)			59				(677)	89	

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

Global business

Financial year ended **31 December 2007****Total proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2007	£000	600
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium	(21.19.5)	11						
	Claims incurred	(22.17.4)	12						
	Claims management costs	(22.18.4)	13						
	Adjustment for discounting	(22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses	(22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22						
	Claims management costs	(22.14.4)	23						
	Adjustment for discounting	(22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26						
Balance (21-22-23+24+25-26)		29							
Balance from underwriting year accounting	Per Form 24	(24.69.99-99)	31				40	(24)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				40	(24)	
Balance of all years' underwriting (19+29+39)			49				40	(24)	
Allocated investment income			51				9	3	
Transfer to non-technical account (49+51)			59				49	(21)	

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

Name of company

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

Total business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2007	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		41718	3902		46676	8860	
	Reinsurers' share	12		13304	3366		10537	599	
	Net (11-12)	13		28414	536		36139	8261	
	Claims management costs	14			(674)			(674)	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23							
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29							
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		7526			12793	5267	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39		7526			12793	5267	
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		7526			12793	5267	
	Incidents occurring in this financial year	52							

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

Global business

Financial year ended **31 December 2007****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2007	£000	002
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		41718			3902	46676	8860
	Reinsurers' share	12		13304			3366	10537	599
	Net (11-12)	13		28414			536	36139	8261
	Claims management costs	14					(674)		(674)
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23							
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29							
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		7526				12793	5267
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39		7526				12793	5267
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		7526				12793	5267
	Incidents occurring in this financial year	52							

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

Global business

Financial year ended **31 December 2007****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2007	£000	120
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	6251	1947			4313	9	
	Reinsurers' share	12	6193	1948			4313	68	
	Net (11-12)	13	58	(1)				(59)	
	Claims management costs	14		8				8	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			4			4	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			4			4	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41				4		4	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of company

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007**Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2007	£000	270
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	32058		1068		39354	8364	
	Reinsurers' share	12	3817		513		3601	297	
	Net (11-12)	13	28241		555		35753	8067	
	Claims management costs	14			22			22	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			58			58	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			58			58	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	7526				12793	5267	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39	7526				12793	5267	
Split of line 29	Prior financial years	41			58			58	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	7526				12793	5267	
	Incidents occurring in this financial year	52							

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

Name of company

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007**Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2007	£000	409
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	3409		887		3009	487	
	Reinsurers' share	12	3294		905		2623	234	
	Net (11-12)	13	115		(18)		386	253	
	Claims management costs	14			(704)			(704)	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(62)			(62)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(62)			(62)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41			(62)			(62)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended **31 December 2007**

Total business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		5	6	Claims outstanding brought forward		7	8	9	10	31 12 2007		Units	Category number		
							Reported (net)	Incurred but not reported (net)			Reported (net)	Incurred but not reported (net)					Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %				
	12	2007	11																			
	12	2006	12																			
	12	2005	13																			
	12	2004	14																			
	12	2003	15																			
	12	2002	16																			
	12	2001	17																			
	12	2000	18																			
	12	1999	19																			
	12	1998	20																			
Prior accident years			21																			
Reconciliation			22																			
Total (11 to 22)			29																			

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

Total primary (direct) and facultative business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		1419	GL	day month year		Units	Category number
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)			31	12		
	12	2007	11									10	11	12	13	
	12	2006	12													
	12	2005	13										13			
	12	2004	14										305			
	12	2003	15										250			
	12	2002	16										13485			
	12	2001	17	193									(5809)	(100.0)	(144.2)	
	12	2000	18	29949	17039								96090	(43.1)	51.8	
	12	1999	19	29998	14160								89868	(52.8)	50.0	
	12	1998	20	27014	19268								83787	(28.7)	59.3	
Prior accident years		21		536	2521	33618	2419	25995	8261	12793						
Reconciliation		22														
Total (11 to 22)		29		536	2521	33618	2419	25995	8261	12793						

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

Total primary (direct) and facultative personal lines motor business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		5	6	7	8	9	10	11	12	13									
							Reported (net)	Incurred but not reported (net)																		
			R23		1419		GL		31		12		2007		Units		Category number									
			Claims paid (net) during the accident year		Total claims paid (net) since the end of the accident year, but prior to this financial year		Claims paid (net) during this financial year		Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)		Deduction for discounting from claims outstanding carried forward (net)		Earned premiums (net)		Deterioration/ (surplus) of original claims reserve %		Claims ratio %					
12	2007	11	1	2	3	4	5	6	7	8	9	10	11	12	13											
12	2006	12																								
12	2005	13																								
12	2004	14														102										
12	2003	15													201											
12	2002	16													4427											
12	2001	17	1417												(13367)										(10.6)	
12	2000	18	9500	9672	4036										26296	(58.3)									51.5	
12	1999	19	10244	12074	5401										23545	(55.3)									66.4	
12	1998	20	9219	10235	6281										20043	(38.6)									77.3	
Prior accident years						(1)			8	50	(59)															
Reconciliation																										
Total (11 to 22)						(1)			8	50	(59)															

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

Total primary (direct) and facultative commercial lines liability business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		7	8	9	10	day month year			Units	Category number					
							Reported (net)	Incurred but not reported (net)					31	12	2007			£000	270			
			R23	Company registration number		GL/UK/CM	GL			Deduction for discounting from claims outstanding carried forward (net)			Earned premiums (net)			Deterioration/ (surplus) of original claims reserve %		Claims ratio %				
12	2007	11	1	2	3	4	5	6	7	8	9	10	11	12	13	12	270					
12	2006	12																				
12	2005	13											13									
12	2004	14											42									
12	2003	15																				
12	2002	16											506									
12	2001	17	(849)										(9890)								8.6	
12	2000	18	133	3795	269								3658								11.0	
12	1999	19	100	4842	807								3356								27.0	
12	1998	20	118	3362	1442								3028								51.5	
Prior accident years			21			555	2514	33239	2399	25842	8067	12793										
Reconciliation			22																			
Total (11 to 22)			29			555	2514	33239	2399	25842	8067	12793										

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended **31 December 2007**

Balance of all primary (direct) and facultative business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		7	8	9	10	day month year			Units	Category number		
							Reported (net)	Incurred but not reported (net)					Company registration number	GL/UK/CM	31			12	2007
	12	2007	11																
	12	2006	12																
	12	2005	13																
	12	2004	14																
	12	2003	15																
	12	2002	16																
	12	2001	17																
	12	2000	18																
	12	1999	19																
	12	1998	20																
		Prior accident years	21																
		Reconciliation	22																
		Total (11 to 22)	29																

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

Global business

Financial year ended **31 December 2007****Total business**

	Underwriting year ended		Prior underwriting years		Company registration number												GL/UK/CM		day month year		Units		Category number
	11	12	29	29	R24			1419			GL			31 12 2007		£000		001					
					MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM		YY	MM	YY		
Premiums written																					Total all previous columns		
	11																				99 99		
Gross amount																							
Reinsurers' share			(3)																		(3)		
Net (11-12)	19		3																		3		
Gross amount	21		4064																		4064		
Reinsurers' share	22		3924																		3924		
Net (21-22)	29		140																		140		
Claims management costs	39		144																		144		
Commissions	41																						
Other acquisition expenses	42																						
Administrative expenses	43		16																		16		
Reinsurers' commissions and profit participations	44																						
Payable net (41+42+43-44)	49		16																		16		
Brought forward	51		2933																		2933		
Adjustment for discounting	52																						
Carried forward	53		3553																		3553		
Adjustment for discounting	54																						
Increase (decrease) in the financial year (53-54-51+52)	59		620																		620		
Balance on each underwriting year (19-29-39-49-59)	69		(917)																		(917)		

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Total proportional treaty reinsurance business accepted

	Underwriting year ended	Prior underwriting years		Company registration number												GL/UK/CM			day month year			Units			Category number											
		29	29	R24		1419		GL		31			12 2007			£000			Total all previous columns																	
		29	29	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY			
	Gross amount	11																																		
Premiums written	Reinsurers' share	12	(3)																																	(3)
	Net (11-12)	19	3																																3	
	Gross amount	21	208																																208	
Claims paid	Reinsurers' share	22	193																																193	
	Net (21-22)	29	15																																15	
	Claims management costs	39	1																																1	
	Commissions	41																																		
	Other acquisition expenses	42																																		
	Administrative expenses	43																																		
Net operating expenses	Reinsurers' commissions and profit participations	44																																		
	Payable net (41+42+43-44)	49																																		
	Brought forward	51	158																																	158
	Adjustment for discounting	52																																		
Technical provisions	Undiscounted	53	105																																	105
	Carried forward	54																																		
	Adjustment for discounting	55																																		
	Increase (decrease) in the financial year (53-54-51+52)	59	(53)																																	(53)
	Balance on each underwriting year (19-29-39-49-59)	69	40																																	40

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Total business

	Prior underwriting years	Company registration number												GL/UK/CW	day month year			Units	Category number							
		R25			1419			GL			31 12 2007				£000											
		MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY		MM	YY	YY									
Underwriting year ended		29	29	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	99	99	
Reported claims outstanding	Gross amount																									2222
	Reinsurers' share																									1795
Claims incurred but not reported	Gross amount																									2729
	Reinsurers' share																									2409
Claims management costs																										2806
Adjustment for discounting	Gross amount																									
	Reinsurers' share																									
	Claims management costs																									
Allocation to/(from) another risk category of anticipated surplus																										
Balance of the fund																										
Claims outstanding (11-12+13-14+15-16+17-18+19+20)																										3553
Provision for unearned premiums																										
Provision for unexpired risks																										
Deferred acquisition costs																										
Other technical provisions (particulars to be specified by way of supplementary note)																										
Total (21+22+23-24+25)																										3553

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Total treaty reinsurance accepted business

	Prior underwriting years	Company registration number												GL/UK/CW	day month year			Units			Category number																										
		1419				GL				2007					£000																																
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		MM	YY	MM	YY																													
Underwriting year ended		29	28	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	99	99																						
Reported claims outstanding	Gross amount																								2222																						
	Reinsurers' share																								1795																						
Claims incurred but not reported	Gross amount																								2729																						
	Reinsurers' share																								2409																						
Claims management costs	Gross amount																								2806																						
	Reinsurers' share																																														
Adjustment for discounting	Gross amount																																														
	Reinsurers' share																																														
Allocation to/(from) another risk category of anticipated surplus	Gross amount																																														
	Reinsurers' share																																														
Balance of the fund	Gross amount																																														
	Reinsurers' share																																														
Claims outstanding (11-12+13-14+15-16+17-18+19+20)	Gross amount																								3553																						
	Reinsurers' share																																														
Provision for unearned premiums	Gross amount																																														
	Reinsurers' share																																														
Provision for unexpired risks	Gross amount																																														
	Reinsurers' share																																														
Deferred acquisition costs	Gross amount																																														
	Reinsurers' share																																														
Other technical provisions (particulars to be specified by way of supplementary note)	Gross amount																																														
	Reinsurers' share																																														
Total (21+22+23-24+25)																									3553																						

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Total non-proportional treaty reinsurance business accepted

	Prior underwriting years		Company registration number												GL/UK/CM			day month year			Units			Category number		
	29 29		1419				1419				1419				GL			31 12 2007			£000					
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM		YY	
Underwriting year ended																										
Reported claims outstanding	Gross amount																									
	Reinsurers' share																									
Claims incurred but not reported	Gross amount																									
	Reinsurers' share																									
Claims management costs																										
Adjustment for discounting	Gross amount																									
	Reinsurers' share																									
	Claims management costs																									
Allocation to/(from) another risk category of anticipated surplus																										
Balance of the fund																										
Claims outstanding (11-12+13-14+15-16+17-18+19+20)																										
Provision for unearned premiums																										
Provision for unexpired risks																										
Deferred acquisition costs																										
Other technical provisions (particulars to be specified by way of supplementary note)																										
Total (21+22+23-24+25)																										

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**

Total proportional treaty reinsurance business accepted

	Prior underwriting years	Company registration number												GL/UK/CM	day month year		Units	Category number								
		R25			1419			GL			31 12 2007				£000											
		MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY		MM	YY										
Underwriting year ended		29	29	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	99	99	Total all previous columns
11	1855																								1855	
12	1795																								1795	
13	2454																								2454	
14	2409																								2409	
15																										
16																										
17																										
18																										
19																										
20																										
21	105																								105	
22																										
23																										
24																										
25																										
29	105																								105	

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

Major currencies	Reporting territory code	Total admissible assets as shown on Form 13	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	Expected income from assets included in column 2	Yield %	Technical provisions	Provision for outstanding claims being discounted		Unwind in the discount in the next financial year	R30	1419	GL	Rates of interest at which the provision is being discounted			£000
							Before deduction for discounting	Deduction for discounting					Highest	Lowest	Average rate	
Sterling	AA	1248447	22536	1059	4.7	26836	35332	12794	714	12794	GL	3.5	3.5	3.5	3.5	
Other currencies		1247				62										
Total		1249694	22538			26898	35332	12794	714	12794						

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2007

Company
registration
number

1419

GL/
UK/
CM

day month year

31 12 2007

Units

Type of asset	R30	1419	GL	Expected income from assets included in column 2	Yield %
Land and buildings	31				
Fixed interest securities	32	127577	15725	702	4.5
	33	10152			
Variable interest and variable yield securities (excluding items shown at line 36)	34				
	35	83125			
Equity shares and holdings in collective investment schemes	36	706592	6786	356	5.2
	37				
Loans secured by mortgages					
All other assets	38	271780	27	1	5.2
	39	50468			
Total	49	1249694	22538	1059	4.7

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(2585148)	226131
Investment income receivable before deduction of tax	12	574637	603158
Increase (decrease) in the value of non-linked assets brought into account	13	5441	(354033)
Increase (decrease) in the value of linked assets	14	(63)	(10)
Other income	15	3536	1070
Total income	19	(2001597)	476316

Expenditure

Claims incurred	21	958274	1400140
Expenses payable	22	99136	114398
Interest payable before the deduction of tax	23	12492	8745
Taxation	24	(28003)	17221
Other expenditure	25	79525	247
Transfer to (from) non technical account	26	(11313)	164448
Total expenditure	29	1110111	1705199

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(3111708)	(1228883)
Fund brought forward	49	11402531	12631414
Fund carried forward (39+49)	59	8290823	11402531

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

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

Income

Earned premiums	11	160467	207211
Investment income receivable before deduction of tax	12	430227	423383
Increase (decrease) in the value of non-linked assets brought into account	13	49012	(186436)
Increase (decrease) in the value of linked assets	14	(63)	(10)
Other income	15	2086	876
Total income	19	641729	445024

Expenditure

Claims incurred	21	941612	1159651
Expenses payable	22	87223	95669
Interest payable before the deduction of tax	23	8173	4380
Taxation	24	(7046)	(3339)
Other expenditure	25	410	247
Transfer to (from) non technical account	26	16133	41518
Total expenditure	29	1046505	1298126

Business transfers - in	31		
Business transfers - out	32	100859	89475
Increase (decrease) in fund in financial year (19-29+31-32)	39	(505635)	(942577)
Fund brought forward	49	8315909	9258486
Fund carried forward (39+49)	59	7810274	8315909

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	4530	17528
Investment income receivable before deduction of tax	12	16680	18204
Increase (decrease) in the value of non-linked assets brought into account	13	(4388)	(12061)
Increase (decrease) in the value of linked assets	14		
Other income	15	174	194
Total income	19	16996	23865

Expenditure

Claims incurred	21	12384	12480
Expenses payable	22	4976	7310
Interest payable before the deduction of tax	23	2150	700
Taxation	24	(14760)	7260
Other expenditure	25		
Transfer to (from) non technical account	26		48048
Total expenditure	29	4750	75798

Business transfers - in	31	1174	1377
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	13420	(50556)
Fund brought forward	49	211260	261816
Fund carried forward (39+49)	59	224680	211260

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 Units **£000**

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

Income

Earned premiums	11	(2750145)	1392
Investment income receivable before deduction of tax	12	127730	161571
Increase (decrease) in the value of non-linked assets brought into account	13	(39183)	(155536)
Increase (decrease) in the value of linked assets	14		
Other income	15	1276	
Total income	19	(2660322)	7427

Expenditure

Claims incurred	21	4278	228009
Expenses payable	22	6937	11419
Interest payable before the deduction of tax	23	2169	3665
Taxation	24	(6197)	13300
Other expenditure	25	79115	
Transfer to (from) non technical account	26	(27446)	74882
Total expenditure	29	58856	331275

Business transfers - in	31	99685	88098
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2619493)	(235750)
Fund brought forward	49	2875362	3111112
Fund carried forward (39+49)	59	255869	2875362

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Regular premiums	11	115635	65245		180880	221919
Single premiums	12	(1247)	(26104)		(27351)	8549

Reinsurance - external

Regular premiums	13	3826	2734544		2738370	3955
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	307			307	382
Single premiums	16					

Net of reinsurance

Regular premiums	17	111502	(2669299)		(2557797)	217582
Single premiums	18	(1247)	(26104)		(27351)	8549

Total

Gross	19	114388	39141		153529	230468
Reinsurance	20	4133	2734544		2738677	4337
Net	21	110255	(2695403)		(2585148)	226131

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Regular premiums	11	106209	63788		169997	199563
Single premiums	12		(9046)		(9046)	8030

Reinsurance - external

Regular premiums	13	177			177	
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	307			307	382
Single premiums	16					

Net of reinsurance

Regular premiums	17	105725	63788		169513	199181
Single premiums	18		(9046)		(9046)	8030

Total

Gross	19	106209	54742		160951	207593
Reinsurance	20	484			484	382
Net	21	105725	54742		160467	207211

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Regular premiums	11	9426			9426	20964
Single premiums	12	(1247)			(1247)	519

Reinsurance - external

Regular premiums	13	3649			3649	3955
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	5777			5777	17009
Single premiums	18	(1247)			(1247)	519

Total

Gross	19	8179			8179	21483
Reinsurance	20	3649			3649	3955
Net	21	4530			4530	17528

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Regular premiums	11		1457		1457	1392
Single premiums	12		(17058)		(17058)	

Reinsurance - external

Regular premiums	13		2734544		2734544	
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		(2733087)		(2733087)	1392
Single premiums	18		(17058)		(17058)	

Total

Gross	19		(15601)		(15601)	1392
Reinsurance	20		2734544		2734544	
Net	21		(2750145)		(2750145)	1392

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2007**
 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	70437	15980		86417	91105
Disability periodic payments	12	4			4	
Surrender or partial surrender	13	280903	193425		474328	662821
Annuity payments	14	3450	231929		235379	235481
Lump sums on maturity	15	263133	125808		388941	404011
Total	16	617927	567142		1185069	1393418

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22	4			4	
Surrender or partial surrender	23	1476			1476	1672
Annuity payments	24		224381		224381	
Lump sums on maturity	25					
Total	26	1480	224381		225861	1672

Reinsurance - intra-group

Death or disability lump sums	31					(695)
Disability periodic payments	32					
Surrender or partial surrender	33	844			844	(7390)
Annuity payments	34					
Lump sums on maturity	35	90			90	(309)
Total	36	934			934	(8394)

Net of reinsurance

Death or disability lump sums	41	70437	15980		86417	91800
Disability periodic payments	42					
Surrender or partial surrender	43	278583	193425		472008	668539
Annuity payments	44	3450	7548		10998	235481
Lump sums on maturity	45	263043	125808		388851	404320
Total	46	615513	342761		958274	1400140

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2007**
 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	63588	15377		78965	83592
Disability periodic payments	12					
Surrender or partial surrender	13	279159	192890		472049	660940
Annuity payments	14		4452		4452	4460
Lump sums on maturity	15	261458	125764		387222	402265
Total	16	604205	338483		942688	1151257

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23	142			142	
Annuity payments	24					
Lump sums on maturity	25					
Total	26	142			142	

Reinsurance - intra-group

Death or disability lump sums	31					(695)
Disability periodic payments	32					
Surrender or partial surrender	33	844			844	(7390)
Annuity payments	34					
Lump sums on maturity	35	90			90	(309)
Total	36	934			934	(8394)

Net of reinsurance

Death or disability lump sums	41	63588	15377		78965	84287
Disability periodic payments	42					
Surrender or partial surrender	43	278173	192890		471063	668330
Annuity payments	44		4452		4452	4460
Lump sums on maturity	45	261368	125764		387132	402574
Total	46	603129	338483		941612	1159651

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2007**
 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	6849		6849	7047
Disability periodic payments	12	4		4	
Surrender or partial surrender	13	1744		1744	1879
Annuity payments	14	3450		3450	3762
Lump sums on maturity	15	1675		1675	1464
Total	16	13722		13722	14152

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22	4		4	
Surrender or partial surrender	23	1334		1334	1672
Annuity payments	24				
Lump sums on maturity	25				
Total	26	1338		1338	1672

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	6849		6849	7047
Disability periodic payments	42				
Surrender or partial surrender	43	410		410	207
Annuity payments	44	3450		3450	3762
Lump sums on maturity	45	1675		1675	1464
Total	46	12384		12384	12480

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 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		603		603	466
Disability periodic payments	12					
Surrender or partial surrender	13		535		535	2
Annuity payments	14		227477		227477	227259
Lump sums on maturity	15		44		44	282
Total	16		228659		228659	228009

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		224381		224381	
Lump sums on maturity	25					
Total	26		224381		224381	

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		603		603	466
Disability periodic payments	42					
Surrender or partial surrender	43		535		535	2
Annuity payments	44		3096		3096	227259
Lump sums on maturity	45		44		44	282
Total	46		4278		4278	228009

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	36300	59825	96125	114398
Management - other	15	934	2077	3011	
Total	16	37234	61902	99136	114398

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	36300	59825	96125	114398
Management - other	45	934	2077	3011	
Total	46	37234	61902	99136	114398

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	31324	52888	84212	95669
Management - other	15	934	2077	3011	
Total	16	32258	54965	87223	95669

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	31324	52888	84212	95669
Management - other	45	934	2077	3011	
Total	46	32258	54965	87223	95669

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	4976		4976	7310
Management - other	15				
Total	16	4976		4976	7310

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	4976		4976	7310
Management - other	45				
Total	46	4976		4976	7310

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		6937	6937	11419
Management - other	15				
Total	16		6937	6937	11419

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		6937	6937	11419
Management - other	45				
Total	46		6937	6937	11419

Long-term insurance business : Summary of new businessName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Total business

Financial year ended **31 December 2007**Units **£000**

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

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

Regular premium business	11					
Single premium business	12					
Total	13					

**Amount of new regular
premiums**

Direct insurance business	21	74			74	51
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	74			74	51

**Amount of new single
premiums**

Direct insurance business	25		208		208	234
External reinsurance	26					
Intra-group reinsurance	27		(22739)		(22739)	6609
Total	28		(22531)		(22531)	6843

Long-term insurance business : Analysis of new business

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Name of insurer

Total business

Financial year ended

31 December 2007

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
535	Group money purchase pensions UWP				203
435	Miscellaneous assurance				(22942)

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2007**
 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	3156	27774	709	2.55	
Approved fixed interest securities	12	790144	778696	12500	4.77	
Other fixed interest securities	13	673668	680809	9987	3.95	
Variable interest securities	14	599770	603905	1278	0.13	
UK listed equity shares	15	16321	16190	2395	14.79	
Non-UK listed equity shares	16	5648	9382	1593	16.98	
Unlisted equity shares	17	314551	314422	12	0.00	
Other assets	18	874486	846566	11574	1.37	
Total	19	3277744	3277744	40048	2.47	

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

Land and buildings	21	110484	972454	24811	2.55	(7.58)
Approved fixed interest securities	22	2470881	2109217	93647	4.25	4.39
Other fixed interest securities	23	1578755	1766855	97749	6.54	1.84
Variable interest securities	24	524896	856930	44806	6.05	4.65
UK listed equity shares	25	1703704	1689967	72601	4.30	3.02
Non-UK listed equity shares	26	120406	242083	4331	1.79	8.18
Unlisted equity shares	27	943756	398987	11267	2.82	46.80
Other assets	28	1851252	1267641	44939	3.55	(18.60)
Total	29	9304134	9304134	394151	4.46	1.21

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.08
Return allocated to non taxable 'asset shares'	32					2.43
Return allocated to taxable 'asset shares'	33					2.17

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **0:100 BLAGAB**
 Financial year ended **31 December 2007**
 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	45383	45383	2326	4.89	
Other fixed interest securities	13	27102	27102	1584	5.81	
Variable interest securities	14	23996	23996	221	0.99	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	168749	168749	11080	6.57	
Total	19	265230	265230	15211	5.70	

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 **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 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	665987	665987	7177	4.78	
Other fixed interest securities	13	586637	586637	4692	3.58	
Variable interest securities	14	569126	569126	494		
UK listed equity shares	15					
Non-UK listed equity shares	16	1953	1953			
Unlisted equity shares	17	314327	314327			
Other assets	18	676509	676509	449	0.07	
Total	19	2814539	2814539	12812	1.89	

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 **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **90:10**
 Financial year ended **31 December 2007**
 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	3156	27774	709	2.55	
Approved fixed interest securities	12	78774	67326	2997	4.56	
Other fixed interest securities	13	59929	67070	3711	6.40	
Variable interest securities	14	6648	10783	563	5.05	
UK listed equity shares	15	16321	16190	2395	14.79	
Non-UK listed equity shares	16	3695	7429	1593	21.44	
Unlisted equity shares	17	224	95	12	12.49	
Other assets	18	29228	1308	45	3.44	
Total	19	197975	197975	12025	6.39	

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

Land and buildings	21	110484	972454	24811	2.55	(7.58)
Approved fixed interest securities	22	2470881	2109217	93647	4.25	4.39
Other fixed interest securities	23	1578755	1766855	97749	6.54	1.84
Variable interest securities	24	524896	856930	44806	6.05	4.65
UK listed equity shares	25	1703704	1689967	72601	4.30	3.02
Non-UK listed equity shares	26	120406	242083	4331	1.79	8.18
Unlisted equity shares	27	943756	398987	11267	2.82	46.80
Other assets	28	1889726	1306115	44939	3.44	(18.05)
Total	29	9342608	9342608	394151	4.44	1.21

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.08
Return allocated to non taxable 'asset shares'	32					2.43
Return allocated to taxable 'asset shares'	33					2.17

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2007**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1590682	12.08	4.50	4.50
Other approved fixed interest securities	21	1297231	8.18	4.27	4.13
Other fixed interest securities					
AAA/Aaa	31	267666	7.49	5.31	5.17
AA/Aa	32	316301	7.47	6.14	5.83
A/A	33	546258	7.82	6.32	5.76
BBB/Baa	34	511941	6.76	6.69	5.83
BB/Ba	35	167834	3.59	5.67	3.73
B/B	36	176165	5.21	8.13	1.00
CCC/Caa	37	16609	4.38	10.52	0.00
Other (including unrated)	38	444890	2.99	3.28	1.52
Total other fixed interest securities	39	2447664	6.13	5.82	4.41
Approved variable interest securities	41	455362	19.54	4.70	4.70
Other variable interest securities	51	1005473	2.84	3.19	1.36
Total (11+21+39+41+51)	61	6796412	8.33	4.75	3.95

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	46052	19.97	4.30	4.30

Other approved fixed interest securities	21	619935	10.15	4.82	4.80
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Other fixed interest securities

AAA/Aaa	31	93529	8.20	5.53	5.38
AA/Aa	32	139340	9.62	6.59	6.25
A/A	33	54794	8.91	6.38	5.74
BBB/Baa	34	47631	9.11	6.62	5.57
BB/Ba	35	48705			
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	202637			
Total other fixed interest securities	39	586637	5.16	3.58	3.33

Approved variable interest securities	41				
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Other variable interest securities	51	569126			
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Total (11+21+39+41+51)	61	1821750	5.62	2.90	2.81
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1540465	11.87	4.50	4.50
Other approved fixed interest securities	21	636078	6.34	3.69	3.45
Other fixed interest securities					
AAA/Aaa	31	164493	7.11	5.16	5.03
AA/Aa	32	164032	5.77	5.78	5.49
A/A	33	486934	7.71	6.32	5.76
BBB/Baa	34	464310	6.51	6.69	5.86
BB/Ba	35	119129	5.05	8.00	5.25
B/B	36	176165	5.21	8.13	1.00
CCC/Caa	37	16609	4.38	10.52	0.00
Other (including unrated)	38	242253	5.49	6.02	2.80
Total other fixed interest securities	39	1833925	6.43	6.54	4.73
Approved variable interest securities	41	455362	19.54	4.70	4.70
Other variable interest securities	51	412351	6.19	7.40	2.97
Total (11+21+39+41+51)	61	4878181	9.32	5.43	4.34

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Total business / subfund **Summary**Financial year ended **31 December 2007**

Units

£000

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

Gross

Form 51 - with-profits	11	1405953	1807558		3213511	3271981
Form 51 - non-profit	12	92201	3044287		3136489	3045919
Form 52	13	940490	3332317		4272807	4762512
Form 53 - linked	14	9722			9722	45401
Form 53 - non-linked	15	395	41069		41464	183
Form 54 - linked	16	1671	74918		76589	76350
Form 54 - non-linked	17		484		484	354
Total	18	2450432	8300633		10751066	11202700

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	(2879)	2642155		2639276	(1409)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1671	74848		76519	1828
Form 54 - non-linked	27					
Total	28	(1208)	2717003		2715795	419

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	9722			9722	9722
Form 53 - non-linked	35	177			177	177
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	9899			9899	9899

Net of reinsurance

Form 51 - with-profits	41	1405953	1807558		3213511	3271981
Form 51 - non-profit	42	95080	402133		497213	3047328
Form 52	43	940490	3332317		4272807	4762512
Form 53 - linked	44					35679
Form 53 - non-linked	45	218	41069		41287	6
Form 54 - linked	46		70		70	74522
Form 54 - non-linked	47		484		484	354
Total	48	2441741	5583631		8025372	11192382

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Form 51 - with-profits	11	1405953	1807558		3213511	3271981
Form 51 - non-profit	12	38253	152797		191050	188902
Form 52	13	940490	3332317		4272807	4762512
Form 53 - linked	14	9722			9722	45401
Form 53 - non-linked	15	395	41069		41464	183
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	2394813	5333741		7728554	8268979

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	9722			9722	9722
Form 53 - non-linked	35	177			177	177
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	9899			9899	9899

Net of reinsurance

Form 51 - with-profits	41	1405953	1807558		3213511	3271981
Form 51 - non-profit	42	38253	152797		191050	188902
Form 52	43	940490	3332317		4272807	4762512
Form 53 - linked	44					35679
Form 53 - non-linked	45	218	41069		41287	6
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	2384914	5333741		7718655	8259080

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Total business / subfund **0:100 BLAGAB**Financial year ended **31 December 2007**Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	53948		53948	61532
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16	1671		1671	1828
Form 54 - non-linked	17				
Total	18	55620		55620	63360

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(2879)		(2879)	(1409)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1671		1671	1828
Form 54 - non-linked	27				
Total	28	(1208)		(1208)	419

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	56827		56827	62941
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	56827		56827	62941

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		2891490	2891490	2795485
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		74918	74918	74522
Form 54 - non-linked	17		484	484	354
Total	18		2966892	2966892	2870361

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		2642155	2642155	
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		74848	74848	
Form 54 - non-linked	27				
Total	28		2717003	2717003	

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		249336	249336	2795485
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		70	70	74522
Form 54 - non-linked	47		484	484	354
Total	48		249890	249890	2870361

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

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

90:10

31 December 2007

£000

Name of insurer

Total business / subfund

Financial year ended

Units

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	28701	127859	5547				44254
105	Conventional whole life with-profits IB	564021	265511	3767				212800
120	Conventional endowment with-profits OB savings	73919	400234	21386				310152
125	Conventional endowment with-profits OB target cash	58508	767507	24208				733694
130	Conventional endowment with-profits IB	33163	68836	3379				64394
155	Conventional pensions endowment with-profits	1897	46938	465				30448
165	Conventional deferred annuity with-profits	1	2					32
205	Miscellaneous conventional with-profits	230	9490	197				4179
210	Additional reserves with-profits OB							1000
215	Additional reserves with-profits IB							5000
300	Regular premium non-profit WL/EA OB	5499	14117					11448
310	Non-profit IB	747974	25469					26157
390	Deferred annuity non-profit	5	2					25
435	Miscellaneous non-profit	187	5244	32				623

Long-term insurance business: analysis of valuation interest rate

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Subfund **90:10**Financial year ended **31 December 2007**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100/120/125	932386	3.20	3.73	4.85
UKL WP code 105/130/215	282194	3.10	3.78	4.87
UKL WP code 125	160893	2.70	3.09	4.35
UKL WP code 155	19186	4.00	4.42	6.71
UKL WP code 155	11312	3.80	4.27	6.41
UKL WP code 500	224333	2.70	3.29	4.41
UKL WP code 506	192754	2.20	2.20	3.70
UKL WP code 515	17650	2.70	3.09	4.35
UKL WP code 500/505/515/575	515117	2.60	3.01	4.55
UKL NP code 300	63	3.80	4.27	6.41
UKL NP code 310	26157	3.10	3.78	4.87
UKL NP code 300/390	147	4.00	4.42	6.71
UKL NP code 300/435	11888	3.20	3.73	4.85
UKP WP code 155	656669	3.80	3.80	4.68
UKP WP code 155/165/210	1083791	3.50	3.52	4.46
UKP WP code 200	69927	3.70	3.79	4.83
UKP WP code 525	367403	2.20	2.20	3.70
UKP WP code 535	94910	3.60	3.60	5.20
UKP WP code 545	2426647	2.30	2.30	3.70
Total				

Long-term insurance business: analysis of valuation interest rate

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Subfund **90:10**Financial year ended **31 December 2007**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP WP code 545	443109	3.88	3.88	4.70
UKP WP code 545	8308			4.70
UKP NP code 300/390	41700	3.80	3.80	4.63
UKP NP code 300/390	111097	3.50	3.52	4.41
Misc	41287			0.49
Total	7738928			

Long-term insurance business: analysis of valuation interest rateName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Subfund **0:100 PENSIONS**Financial year ended **31 December 2007**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP NP code 400	230716	4.78	4.78	4.90
UKP NP code 400	79	4.78	4.78	4.90
UKP NP code 325/390/435	18540	4.78	4.78	4.90
UKP NP code 905	554	4.78	4.78	4.90
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
Total	249890			

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	8290823	11402532
Bonus payments in anticipation of a surplus	12	132666	105915
Transfer to non-technical account	13		164448
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8423489	11672895
Mathematical reserves	21	8025372	11192383
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	398117	480512

Composition of surplus

Balance brought forward	31	190803	274147
Transfer from non-technical account	32	11313	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	196001	206365
Total	39	398117	480512

Distribution of surplus

Bonus paid in anticipation of a surplus	41	132666	105915
Cash bonuses	42		
Reversionary bonuses	43	20270	19346
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	152936	125261
Net transfer out of fund / part of fund	47		164448
Total distributed surplus (46+47)	48	152936	289709
Surplus carried forward	49	245181	190803
Total (48+49)	59	398117	480512

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	7810274	8315909
Bonus payments in anticipation of a surplus	12	132666	105915
Transfer to non-technical account	13	16133	41518
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	7959073	8463342
Mathematical reserves	21	7718655	8259081
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	240418	204261

Composition of surplus

Balance brought forward	31	37482	79000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	202936	125261
Total	39	240418	204261

Distribution of surplus

Bonus paid in anticipation of a surplus	41	132666	105915
Cash bonuses	42		
Reversionary bonuses	43	20270	19346
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	152936	125261
Net transfer out of fund / part of fund	47	16133	41518
Total distributed surplus (46+47)	48	169069	166779
Surplus carried forward	49	71349	37482
Total (48+49)	59	240418	204261

Percentage of distributed surplus allocated to policyholders

Current year	61	90.46	75.11
Current year - 1	62	75.11	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	224680	211261
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		48048
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	224680	259309
Mathematical reserves	21	56827	62940
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	167853	196369

Composition of surplus

Balance brought forward	31	148321	154992
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	19532	41377
Total	39	167853	196369

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		48048
Total distributed surplus (46+47)	48		48048
Surplus carried forward	49	167853	148321
Total (48+49)	59	167853	196369

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2007**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	255869	2875362
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		74882
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	255869	2950244
Mathematical reserves	21	249890	2870362
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5979	79882

Composition of surplus

Balance brought forward	31	5000	40155
Transfer from non-technical account	32	27446	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(26467)	39727
Total	39	5979	79882

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		74882
Total distributed surplus (46+47)	48		74882
Surplus carried forward	49	5979	5000
Total (48+49)	59	5979	79882

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Date of maturity value / open market option **01 March 2008**

1	2	3	4	5	6	7	8
Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	10	5714.00	172	N/A	CWP	N	5714
Endowment assurance	15	11376	1034	N/A	CWP	N	11376
Endowment assurance	20	20969	2703	N/A	CWP	N	20969
Endowment assurance	25	38678	9706	N/A	CWP	N	38678
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	29187	670	N/A	UWP	N	29187
Regular premium pension	15	43611	2337	N/A	CWP	N	43611
Regular premium pension	20	92170	0	N/A	CWP	N	73007
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	12927	0	N/A	UWP	N	13134
Single premium pension	15	23385	6622	N/A	CWP	N	23549
Single premium pension	20	44285	0	N/A	CWP	N	21911

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Date of surrender value **01 March 2008**

1	2	3	4	5	6	7	8
Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	5005	0	N/A	CWP	N/A	14711
Endowment assurance	15	9935	0	N/A	CWP	N/A	19453
Endowment assurance	20	18152	522	N/A	CWP	N/A	26102
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	12389	0	N/A	UWP	N/A	12568
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	12927	0	N/A	UWP	N/A	13134

Long-term insurance capital requirementName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2007**Units **€000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		0.90		
Classes I (other), II and IX	14	0.3%	6102195	5493742	16481	18111
Classes III, VII and VIII	15	0.3%	6979	0.50	10	11
Total	16		6109174	5493742	16491	18122

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	10755297	8044523	0.85	91420	111434
Classes III, VII and VIII (investment risk)	33	1%	75798	950	0.85	644	682
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	218	218	1.00	2	3
Classes III, VII and VIII (other)	35	25%				83	82
Class IV (other)	36	1%	4893	(49)	0.85	42	54
Class V	37	1%					
Class VI	38	1%					
Total	39					92191	112255

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	10755297	8044523	0.85	274260	334301
Classes III, VII and VIII (investment risk)	43	3%	75798	950	0.85	1933	2045
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	218	218			
Classes III, VII and VIII (other)	45	0%	9665				
Class IV (other)	46	3%	4893	(49)	0.85	125	163
Class V	47	0%					
Class VI	48	3%					
Total	49		10845871	8045642		276318	336509

Long term insurance capital requirement	51					385093	466979
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Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1

0101 Modification to the Return in respect of general insurance business

The Financial Services Authority, on the application of the firm, made a direction in January 2008 under section 148 of the Act. The effect of the direction is to exclude Forms 26 to 29, 31, 32 and 34 from the firm's return.

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

- (a) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.
- (b) The Financial Services Authority, on the application of the firm, made a direction in December 2003, which it varied in May and November 2004. The effect of the direction (as varied) is to enable the firm to apply a business amount of 5% to investments in collateralised debt obligations, in aggregate. £26 million (2006: £62 million) in line 43 of Form 13 relates to the firm's investments in those assets.
- (c) The Financial Services Authority, on the application of the firm, made a direction in December 2007. The effect of the direction is to enable the firm to apply a business amount of 2% each for the asset exposure arising from the beneficial interest in The Henderson UK Shopping Centre Fund and The Henderson Retail Warehouse Fund and exclude them from the 10% aggregate test per INSPRU 2.1.22 (3) (e).

0204 Change of name

On the 19 April 2007, the insurer re-registered as a public limited company under section 53 of the Companies Act 1985 with the insurer's name changing from Pearl Assurance Limited to Pearl Assurance Public Limited Company.

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

	2007 £'000	2006 £'000
Form 13 line 89 (total other than long term insurance business assets)	1,264,435	804,888
Form 13 line 89 (total long term insurance business assets)	12,697,436	13,234,600
Less Form 14 line 71	11,018,593	11,525,783
Less Form 15 line 69	959,843	276,292
Net Admissible Assets	<u>1,983,435</u>	<u>2,237,413</u>
Capital resources requirement of regulated related undertakings	220,696	239,721
Rounding difference	-	1
Form 3 line 79 – Total capital resources	<u><u>2,204,131</u></u>	<u><u>2,477,135</u></u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

***0307* Financial reinsurance accepted**

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

The entry on Form 3 line 93 represents a contingent premium due from London Life Limited which equals the liability of £22,000 (2006: £22,000) included in Form 51.

***0310* Valuation differences**

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

	2007 £'000	2006 £'000
Deferred taxation	(32,550)	(33,410)
Corporation taxation	(4,716)	-
Premium withheld	9,721	-
Actuarial valuation differences		
- 0:100 Pensions	(15,000)	-
- 90:10	1,204,027	1,190,930
	<u>1,161,482</u>	<u>1,157,520</u>

***0313* Reconciliation of profit and loss account and other reserves**

	2007 £'000
Form 3 line 12 at 1 January 2007	819,446
Form 16 line 59	(104,951)
Capital contribution – see note 2007	56,514
Surplus arising in the year within the long term funds	31,442
Provision for "reasonably foreseeable adverse variations"	1,704
Transfer to the long term funds	11,313
Form 3 line 12 at 31 December 2007	<u>815,468</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

1305

***1319* Counterparty limits**

- (a) The investment guidelines operated by the insurer limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the Market and Counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- (b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for the longer term, modifications may be sought.
 - Loans to other companies in the same group, where application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- (c) In accordance with these investment guidelines, during 2007, there was one breach of £13 million (2006: £nil) within the 90:10 category of assets.

1306

***1312* Counterparty exposure at the end of the financial year**

There was one case where the exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resource requirement and the long term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

As at 31 December 2007, the total exposure to Resolution plc being equity and fixed interest holdings has a value of £1,004.9 million.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

1307

1313

- (a) The aggregate value of rights over collateral in respect of approved stock lending transactions is £2,601 million (2006: £3,002 million).
- (b) A reinsurance treaty between the insurer and an external reinsurer was effective from 1 January 2007. The pension annuity in payment liabilities of the insurer were reinsured to the external reinsurer, thereby substantially removing longevity and investment risk from the insurer. A premium of £2,735 million, equal to 100% of the statutory liabilities as at 31 December 2006, was payable by the insurer but has been withheld and placed in collateral accounts in order to mitigate counterparty exposure. The insurer has therefore retained legal ownership of all assets and will continue to hold these assets on its balance sheet. The external reinsurer has a fixed charge over the assets. The insurer has retained an element of the risk underlying these reinsured liabilities and remains potentially exposed to the payment of an additional reinsurance premium of 80/130ths of potential losses up to a maximum of £46 million in respect of future longevity strengthening at 31 December 2007. No profit or loss arose at the inception of this transaction and the insurer result for the year did not accrue any significant profits or losses from these reinsured policies.

1308

Unlisted and listed investments

	2007 £'000	2006 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	1,218,363	549,100
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	8	8
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	753,927	437,803
Total	<u>1,972,298</u>	<u>986,911</u>

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

Included within Collective Investment Schemes are the following assets:

	2007 £'000	2006 £'000
Henderson Retail Warehouse Fund	93,892	139,469
Henderson Shopping Centre Fund	86,707	131,689
Henderson Central Office Fund	79,480	91,272
Henderson CASPAR Fund	59,104	75,373
Axial Strategic Systematic Fund	434,744	-
Total	<u>753,927</u>	<u>473,803</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

1318	Other asset adjustments	2007 £'000	2006 £'000
	Corporation tax recoverable	-	(17,316)
	Inadmissible per GENPRU 2 Annex 7R	-	2,046
	Form 13 line 101 (total long term insurance business assets)	-	(15,270)
	Reclassification of intra fund balance	(11,171)	(1,270)
	Reclassification of intra group balance	(4,092)	-
	Rounding difference	1	-
	Form 13 line 101 (total other than long term insurance business assets)	(15,262)	(1,270)

Inadmissible assets have been included at line 93 for 2007.

1401 **Provision for reasonably foreseeable adverse variations**

The amount in Form 14 line 41 is included pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R. It has been calculated on a group of assets which have a lock down period of 3 years or more. There is no intention to realise these assets within the lock down period, however, in an adverse scenario the insurer could be exposed to liquidity strain as a result of the lock down. The provision is a prudent assessment of that strain and is calculated based on the estimated costs to finance it over a three year period at libor +125bp.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

1402 Liabilities

- (a) A reinsurance treaty between the insurer and an external reinsurer was signed during the period. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to the external reinsurer, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and the external insurer has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £2,625 million (2006: Nil) (see table below).

Assets which are subject to the charge (Form 13)	2007
	£000
Line 25 – Shares in non-insurance dependents	73,874
Line 41 – Equity shares	316,281
Line 43 – Holdings in collective investment schemes	434,744
Line 44 – Rights under derivative contracts	77,953
Line 45 – Approved fixed interest securities	507,473
Line 46 – Other fixed interest securities	495,550
Line 48 – Other variable interest securities	552,054
Line 58 – Assets held to match index linked liabilities	74,277
Line 78 – Other due in 12 months or less	11,357
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	51,628
Line 84 – Accrued interest and rent	29,386
Line 86 – Other prepayments and accrued income	468
Total	<u>2,625,045</u>

- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £54 million (2006: £68 million). In accordance with FRS 19, the discounted value of £46 million (2006: £62 million) for this liability has been recognised together with further deferred tax liabilities totalling £2 million (2006: £8 million) to give the figure of £48 million (2006: £70 million) shown on line 21 of Form 14.

- (c) In common with other life insurers in the United Kingdom, which have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision included in the Peak 1 mathematical reserves for Phase 1 cases is £442 million (2006: £488 million). The provision included in the Peak 1 mathematical reserves for Phase 2 cases is £4 million (2006: £3 million).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £6 million (2006: £6 million).

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

1402 Liabilities (continued)

(d) The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.

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

*1405** Other liabilities adjustments

	2007	2006
	£'000	£'000
Deferred taxation	(32,550)	(33,410)
Corporation taxation	-	(17,316)
Provision for "reasonably foreseeable adverse variations"	(3,012)	-
Premium withheld	9,721	-
Actuarial valuation differences		
- 0:100 Pensions	(15,000)	-
- 90:10	1,204,027	1,190,930
Form 14 line 74	<u>1,163,186</u>	<u>1,140,204</u>

1501 Provision for reasonably foreseeable adverse variations

During the year the insurer entered into a series of forward contracts in order to finance the acquisition of shares in Resolution plc. At the same time the insurer entered into FTSE future contracts. The combination of these contracts required a provision to be made under INSPRU 3.2.17R. At 31 December 2007, the amount of this provision was £1.7 million.

1502 Liabilities

(a) There are no charges over assets.

(b) There is no potential liability to taxation on capital gains for the other than long term insurance business fund if the insurer disposed of its assets (2006: nil).

(c) The insurer has no forward commitments in respect of group undertakings (2006: nil). The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

***1507* Other liabilities adjustments**

	2007 £'000	2006 £'000
Reclassification of intra fund balance	(11,171)	(1,270)
Reclassification of intra group balance	(4,092)	-
Provision for "reasonably foreseeable adverse variations"	(1,704)	-
Rounding difference	(1)	-
Form 15 line 83	<u>(16,968)</u>	<u>(1,270)</u>

***1601* Basis of conversion of foreign currency**

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

***1602* Brought forward amounts**

Some of the brought forward amounts shown in Forms 11G, 12G, 22, 23 and 24 have been restated from the corresponding carried forward amounts included in the previous year's return due to the reconversion of foreign currency amounts at a different rate of exchange.

***1603* Other income and charges**

The total of other income and charges for 2007 is a charge of £12,090,000 (2006: income of £653,000), comprising:

	2007 £'000	2006 £'000
Interest payable on loan from National Provident Life Ltd	-	(989)
Provision for "reasonably foreseeable adverse variations"	(1,704)	-
Professional fees	(334)	(644)
Commission received	124	934
Commission paid	(171)	-
Churchill profit share agreement	4,001	3,658
Deferred consideration adjustment for GI rebrokering	(1,634)	-
Resolution plc interest charges	(14,638)	-
Other (charges)/income	2,266	(2,306)
Total other income/ (charges)	<u>(12,090)</u>	<u>653</u>

***1701* Variation margin**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.2

***20Ac* Category 187**

In Form 20A line 35 column 3, the balance of £379,000 represents £200,000 relating to a Canadian environmental pollution loss, and £179,000 relating to outstanding claims with overseas agencies.

***2007* Material connected-party transactions**

During 2007 the insurer acquired a 20.13% interest in Resolution plc, being 138,205,822 ordinary shares to support the ultimate parent undertaking, Pearl Group Limited ("PGL") in the acquisition of Resolution plc. At 31 December, the market value of this investment was £983 million and the insurer recognised a gain of £77 million through the profit and loss account in relation to this investment. Resolution plc is currently under offer of acquisition by Impala Holdings Limited, a 75% subsidiary of PGL.

In June 2007, the Board of National Provident Limited Holdings, a subsidiary of the insurer approved the payment of an ordinary dividend of £21 million to the insurer, which was settled by offset against the amount outstanding on an inter-company between the two entities.

The £65 million loan from the insurers's 0:100 Blagab fund to PGL, due for repayment in December 2007, has been extended to 11 December 2014. All other terms under the original loan agreement have remained the same.

In November 2007 the existing reinsurance agreement between the insurer and NPI Limited ("NPI") in respect of Unitised With Profit ("UWP") and Capital Account Pensions business was amended with effect from 1 July 2007. The investment element of this business was already reassured to the insurer's with profits fund and the amendment to the agreement to original terms has resulted in the reinsurance of the expense profits from NPI to the insurer's 0:100 Pensions fund for a reinsurance premium of £23 million.

In December 2007 the insurer received £100 million from its parent undertaking PGL comprising the repayment of inter-company loans and a £57 million capital contribution.

2011

2201

2301

Brought forward amounts

Some of the brought forward amounts shown in Forms 20, 22 and 23 have been restated due to Personal lines motor category 160 being reported separately from category number 409 due to deminimus rules.

2100

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.2 (continued)

***2202* Claims management expenses**

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

***2204* Acquisition costs**

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

***2401* Brought forward amounts**

Some of the brought forward amounts shown in Forms 20, 24 and 25 have been restated due to category number 600 now being reported separately from category 709 due to deminimus rules.

***2402* Underwriting year accounting**

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

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

***2404* Claims management expenses**

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

***2406* Acquisition costs**

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

***2501* Unearned premiums**

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

***3001* Yield**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.2 (continued)

3003 Discounting methods

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

Combined Category	Risk Category	Rate of Interest	Expected interval to settlement date
Primary (direct) and facultative commercial lines business			
Employers Liability	271	3.50%	9 years
Public and Products Liability	273	3.50%	9 years

Methodology used:

In calculating the technical provisions in respect of long term UK Industrial disease business the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cash flows. The average period before the liability will be settled has been estimated at 9.0 years (2006: 8.4 years) and the provision has been discounted at an interest rate of 3.5% (2006: 3.5%).

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

3700

3800

3900

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.3

4002 Other income and expenditure

2007

The total of other income of £3,536,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Commission received	1,224	174	-	1,050
Management charge	918	-	918	-
Transfer of management charge	358	-	358	-
Rebates	918	-	-	918
Sundry Income	118	-	-	118
	<u>3,536</u>	<u>174</u>	<u>1,276</u>	<u>2,086</u>

The total of other expenditure of £79,525,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Provision for future annuity claims ⁽¹⁾	79,115	-	79,115	-
Transfer of management charge	358	-	-	358
Sundry expenditure	52	-	-	52
	<u>79,525</u>	<u>-</u>	<u>79,115</u>	<u>410</u>

⁽¹⁾ Other expenditure in line 25 of £79m represents the change in provision for future annuity claims payable directly by the insurer under a reinsurance agreement with an external reinsurer.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.3 (continued)

Other income and expenditure (continued)

2006

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

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Commission received	194	194	-	-
Sundry income	876	-	-	876
	<u>1,070</u>	<u>194</u>	<u>-</u>	<u>876</u>

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

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Sundry expenditure	247	-	-	247
	<u>247</u>	<u>-</u>	<u>-</u>	<u>247</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.3 (continued)

4004 Transfers of contracts

	2007	2006
	£'000	£'000
Business transfers into Revenue account – 0:100 Blagab	1,174	1,377
Business transfers into Revenue account – 0:100 Pensions	99,685	88,098
Business transfers into Revenue account – Summary	<u>100,859</u>	<u>89,475</u>
Business transfers out of Revenue account – 90:10	<u>(100,859)</u>	<u>(89,475)</u>

4006 Apportionments between long term insurance business funds/sub funds

(a) Investment Income

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

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

(b) Increase in value of assets brought into account

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

(c) Expenses

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

(d) Taxation

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.3 (continued)

***4008* Provision of management services**

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

Axial Investment Management Limited ("Axial") entered into an Investment Services Agreement with the insurer, effective 1 July 2007, whereby Axial will act as investment managers to invest, re-invest and manage designated assets on behalf of the insurer.

In the second half of 2007, State Street Bank and Trust Company were appointed as a strategic partner to the insurer to provide custody and accounting, securities lending, transition management and associated services for the Axial managed assets of the insurer. Transition from the previous provider has been completed during the year.

4500

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

4801

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

The asset share philosophy for this portfolio at 31 December 2007 assumes an asset mix of:

Land and buildings	17.2%
Approved fixed interest securities	17.0%
Other fixed interest securities	19.5%
Variable interest securities	6.0%
UK listed equity shares	25.9%
Non-UK listed equity shares	3.5%
Unlisted equity shares	6.2%
Other assets	4.7%

4806

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Appendix 9.3 (continued)

4901

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

5500

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

5702

- (a) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

(b)

Product Group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching seats using FSA waiver
UKP NP code 400	4.86	-	4.86
UKP NP code 400	4.87	-	4.87
UKP NP code 325/390/435	4.89	(0.02)	4.87
UKP NP code 905	4.89	(0.02)	4.87

Returns under the Accounts and Statements Rules

Statement of major treaty reinsurers required by rule 9.25

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Full name of major reinsurer	Address	Details of connection (if any)	Proportional Treaty premiums paid in the financial year £000	Non Proportional Treaty premiums paid in the financial year £000	Debtor included at Line 75 of Form 13 £000	Deposits received included at Line 31 of Form 15 £000	Anticipated recoveries included at Line 61 of Form 13 £000
Churchill Insurance Company Limited	Churchill Court Westmoreland Road Bromley Kent BR2 1DP	None					10,537
Swiss Re Frankona	Swiss Re Frankona Rueckversicherungs- Aktiengesellschaft Toerringstrasse 2-6 81675 Muenchen Germany	None					4,204
National Indemnity Company	3024 Hamey Street Omaha Nebraska 68131	None					-
European International Reinsurance Company	Chancery House High Street Bridgetown Barbados West Indies	None					-

Returns under the Accounts and Statements Rules

Statement of major facultative reinsurers required by rule 9.26

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

The insurer has no major facultative reinsurers

Returns under the Accounts and Statements Rules

Statement of major cedants required by rule 9.27

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

The insurer has no major cedants

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

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

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management). In addition, the insurer uses derivatives to match liabilities to mitigate the effect of changes in market variables on its capital position.

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

The insurer controls market risks through the setting of exposure limits, which are subject to detailed monitoring and review. Sophisticated risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

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

- (b) Subject to the investment principles described above, the investment policy permits the writing of contracts, under which the insurer has a right or an obligation to acquire or dispose of assets. The portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of derivatives that cannot be sufficiently well modelled using the Investment Manager's internal risk management systems, without the prior approval of the senior management of the Investment Manager.

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

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

Contract Type	Exposure £'m	Weighted average % movement to strike	Number of Contracts
Bought Call	35.3	13.4%	89
Bought Put	16.6	7.9%	91
Sold Call	145.4	39.5%	81
Sold Put	36.3	10.1%	106

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

Asset	Actual Holding	Exposure due to derivatives	Combined Economic Exposure
	£m	£m	£m
Fixed Interest – Approved	3,216.3	142.8	3,359.1
Equity Shares	3,104.4	3.6	3,108.0
Deposits	178.5	(146.4)	32.1

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

Asset	Actual Holding	Exposure due to derivatives	Combined Economic Exposure
	£m	£m	£m
Fixed Interest – Approved	3,216.3	142.8	3,359.1
Equity Shares	3,104.4	21.5	3,125.9
Deposits	178.5	(164.3)	14.2

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

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

	Change due to derivatives £m	Date
Deposits	186.7	27 March 2007
Fixed Interest – Approved	(216.1)	27 March 2007
Equity Shares	29.4	27 March 2007

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

	Change due to derivatives £m	Date
Deposits	(87.1)	27 March 2007
Fixed Income	(216.1)	27 March 2007
Equity Shares	303.2	27 March 2007

- (g) The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, under existing market conditions was £33.1 million.

The maximum loss, which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, in the event of other foreseeable market conditions, was £34.8 million.

The maximum potential loss at any other time during the year due to the failure of a single counterparty to fulfil its obligations under derivative contracts was £52.1 million.

- (h) During the year the insurer entered into a series of forward contracts in order to finance the acquisition of shares in Resolution plc. At the same time the insurer entered into FTSE future contracts. The combination of these contracts required a provision to be made under INSPRU 3.2.17R. At 31 December 2007, the amount of this provision was £1.7 million.

- (i) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £0.9 million.

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

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

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

1. Pearl Group Limited

As at 31 December 2007, Pearl Group Limited owned 100% of the shares of Pearl Assurance plc and was able to exercise 100% of the voting power at any general meeting.

2. Sun Capital Investments Limited

As at 31 December 2007, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

3. Hera Investments One Limited

As at 31 December 2007, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

4. Xercise Limited

As at 31 December 2007, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Jambright Limited

As at 31 December 2007, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

(continued)

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

As at 31 December 2007, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 79.2% of the ordinary shares of Xercise Limited and were able to exercise 79.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

7. TDR Capital Nominees Limited

As at 31 December 2007, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

8. TDR Capital LLP

As at 31 December 2007, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year 2007.

1. a) K J Arnott held no shares or share options in 2007.
 - b) K J Arnott held a number of assurance and insurance policies and investment products issued by the insurer in the normal course of business, the transactions being of a minor nature.
 - c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2007 was £222,174.
 - d) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish to it the particulars specified in rule 9.36(1) of the Accounts and Statement Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

Note 1

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31st December 2007.
- (2) The date to which the previous actuarial investigation under IPRU(INS) rule 9.4 related was 31st December 2006.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4).

Product range

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

Discretionary charges and benefits

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

Product	Policy Year of entry	Period applied
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Jun 2002 Jul 1999 to Sep 2001	Jan 2007 to Jun 2007 Jul 2007 to Dec 2007
Reinsurance Accepted Portfolio Bond 1b	Jan 2000 to Jun 2002 Jan 2000 to Sep 2001	Jan 2007 to Jun 2007 Jul 2007 to Dec 2007
Reinsurance Accepted Portfolio Bond 2	Feb 2000 to Jun 2002 Feb 2000 to Sep 2001	Jan 2007 to Jun 2007 Jul 2007 to Dec 2007
Reinsurance Accepted Investment Bond	Oct 2000 to Jun 2002	Throughout 2007
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Sep 2001 Oct 2000 to Jun 2001	Jan 2007 to Jun 2007 Jul 2007 to Dec 2007
Reinsurance Accepted Individual Pensions	Jan 2000 to Sep 2001	Throughout 2007
Reinsurance Accepted Group Pensions	Jan 2000 to Sep 2001	Throughout 2007
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Jun 2001 Jan 2001 to Mar 2001	Jan 2007 to Jun 2007 Jul 2007 to Dec 2007

Notes:

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

The following products applied discretionary penalties during 2007.

Prosperity Personal Pensions version 1

On transfer out, or retirement before age 60 or within 5 years of inception if aged greater than 60, discretionary penalties were applied from 1 January 2007 until 30 April 2007 on the Regular and Single Premium Bonus Series for all policy years of entry.

Free Standing Additional Voluntary Contributions version 1

On transfer out or retirement before the intended retirement age discretionary penalties were applied from 1 January 2007 until 30 April 2007 on the Regular and Single Premium Bonus Series for all policy years of entry.

- (2) There have been no changes to premiums on Pension reviewable protection policies during the financial year. However, there has been a re-price of non-profit Pension Yearly Renewable Term business approved for implementation in January 2008. This has been allowed for in the valuation. The % change in premium rates will be between -3% and -9%. The amount of annual premium for business impacted by these changes is £1.4 million.

There has been a change to premiums for Life reviewable protection policies during the financial year. The % change in premium rates varied between -3% and -43%, with Critical Illness rates increasing by 10%. The amount of annual premium business impacted by these changes is £16.7m

- (3) No policies have been sold in this category.
- (4) Policy fees for Homebuyer version 1 were increased in 2007 in line with National Average Earnings, an increase of 3.6%.
- (5) During the financial year, benefit charges remained unchanged on linked products.
- (6) During the financial year, unit management charges for unitised accumulating with-profits and linked business remained unchanged.

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

- (7) (a) Units are all of the same type (net accumulation).

- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the "offer price". The "bid price" is the base price rounded to the lower tenth of a penny.
 - (iii) The asset values of the internal linked funds are calculated on a "bid" basis, as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.
 - (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made.
- (b) During the financial year there were no times at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.
- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

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

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Fixed Interest	20%	20%	20%	20%

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

Equity (Collective Investment Scheme Holdings)	19.9%	17.6%	19.9%	17.6%
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Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2007 was 17.6%.

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

Valuation basis (other than for special reserves)

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

NON LINKED BUSINESS

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

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

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

LINKED BUSINESS

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

The non-unit reserve is obtained on a discounted cashflow method. The amount of the non-unit reserve is the net present value of any yearly deficiencies of income over outgo less yearly surpluses of income over outgo, making prudent allowance for surrender/lapse and for conversion to paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

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

Sub Fund	Product Group	2007	2006	Product Code
90:10	Conventional Life Business	3.2%	3.70%	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	3.1%	3.60%	105, 130, 310
90:10	Conventional General Annuity endowments	4.00%	4.60%	155, 300
90:10	Conventional Pensions deferred annuities	3.50%/3.15% ⁽¹⁾	4.0%/3.22% ⁽¹⁾	165, 390
90:10	Conventional Pensions endowments	3.50%	4.00%	155, 300
90:10	Reinsurance Accepted Immediate Annuities	3.50%	4.00%	200
90:10	Non-Unitised Accumulating With Profits - Pensions Business	2.30%	3.80%	545

Sub Fund	Product Group	2007	2006	Product Code
90:10	Unitised Accumulating With Profits – Life Business	2.60%	3.30%	500, 505, 515, 575
90:10	Reinsurance Accepted Bonds	2.70%	3.10%	500
90:10	Unitised Accumulating With Profits - Pensions Business	2.20%	3.80%	525
90:10	Unitised Accumulating With Profits – ISA Business	2.20%	3.80%	506
90:10	Reinsurance Accepted Pensions Business	3.60%	4.00%	535
0:100 BLAGAB	Conventional General Annuity pre 1992	4.97%	4.74%	390, 395, 400
0:100 BLAGAB	Conventional Life Assurances	3.22%	3.30%	300, 325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances	4.37%	4.71%	325, 435
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	4.78%	4.74%	400
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	4.78%	4.88%	400
0:100 Pensions	Conventional Pensions Immediate Annuities – index linked (Direct and Reinsurance Accepted from other than NP Life)	4.78%	4.71%	905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities – index linked	4.78%	4.67%	905

Note:

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

- (3) Yields on other approved fixed interest with a credit rating lower than AAA and other fixed interest or variable yield were reduced to allow for the risk of default whilst retaining the margin over gilt yields in respect of reduced liquidity of corporate bonds and overseas government bonds

Credit risk includes the risk of default, either directly or in stages due to downgrades (and upgrades) of a stock's rating. Usually a proportion of the debt is recovered after default. We have calculated the deduction in three stages:

1 Base Deductions

The base deductions reflect the historic cost of default over a long period. They are adjusted to take account that future defaults may differ from those experienced in the past. Current spreads reflect the market's expectation of the future, so we take these (partly) into account by comparing them with historic spreads. The resulting deductions thus increase above base deductions when spreads widen and conversely decrease as spreads narrow, but to a lesser extent than the change in spread.

2 Current Market Conditions

Base default rates are adjusted to allow for current market expectation of credit risk. Current spreads reflect the market's expectation of the future, so we take these into account by comparing them with historic spreads. This will mean that a widening of spreads will increase the yield deduction by a proportion of the change in spread and vice versa. Since Spreads have been relatively stable over the period 2004-2006 we have therefore used average spreads over this period to determine historic spread.

3 Minimum deductions

To avoid excessively low (or even negative) deductions, a minimum 4bp has been set for statutory assumptions.

The table below shows the resulting deductions for credit risk.

Term < 5 years					Term 5 to 15 years					Term > 15 years				
UBS Rating	Secured	Senior	Sub	CDOs	UBS Rating	Secured	Senior	Sub	CDOs	UBS Rating	Secured	Senior	Sub	CDOs
Gilts	0	0	0	0	Gilts	0	0	0	0	Gilts	0	0	0	0
AAA SSR	0	0	0	0	AAA SSR	0	0	0	0	AAA SSR	0	0	0	0
AAA	6	6	6	6	AAA	11	11	11	11	AAA	13	14	14	15
AA1	17	17	17	17	AA1	25	25	25	25	AA1	27	27	28	30
AA2	18	18	18	18	AA2	27	27	27	28	AA2	29	29	30	34
AA3	19	19	19	19	AA3	28	28	28	30	AA3	31	33	34	39
A1	40	41	41	42	A1	47	48	49	53	A1	50	53	55	63
A2	42	42	43	45	A2	51	53	55	61	A2	58	62	66	77
A3	44	45	46	48	A3	58	61	64	73	A3	68	74	80	97
BBB1	45	48	50	59	BBB1	65	71	77	95	BBB1	76	85	94	121
BBB2	50	54	57	68	BBB2	78	87	95	119	BBB2	93	104	116	152
BBB3	69	76	83	104	BBB3	107	120	133	173	BBB3	124	142	159	212
BB1	115	130	155	215	BB1	160	180	215	305	BB1	175	200	235	330
BB2	155	175	210	290	BB2	220	250	300	420	BB2	240	270	320	445
BB3	290	320	385	535	BB3	340	385	460	645	BB3	340	385	455	630
B1	450	500	605	835	B1	480	545	650	915	B1	450	515	605	840
B2	720	800	965	1,330	B2	690	780	935	1,310	B2	610	695	810	1,115
B3	1,245	1,385	1,665	2,295	B3	1,005	1,135	1,355	1,870	B3	835	945	1,095	1,470
<B3	2,680	2,950	3,535	4,845	<B3	1,765	1,970	2,320	3,095	<B3	1,375	1,525	1,740	2,205

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

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

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

Quoted UK and overseas equities:

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

Unquoted equities:

- Greater than 0.0%
- Equal to 0.0%

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

Sub Fund	Product Group	2007		2006		Product Code
		Male	Female	Male	Female	
90:10	Conventional Life Business	85% AM80	85% AF80	85% AM80	85% AF80	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
90:10	Conventional General Annuity endowments	65% AM80	65% AF80	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions deferred annuities	65% AM80	65% AF80	65% AM80	65% AF80	165, 390
90:10	(pre vesting basis)					
90:10	Conventional Pensions deferred annuities (post vesting basis)	97.5% RMV00 max(85% mclc,00s,1%) C2033 ⁽¹⁾	100% RFV00 max(85% mclc,00s,1%) C2036 ⁽¹⁾	110% RMV92 max(75% mclc,92s,1%) C2022 ⁽³⁾	100% RFV92 max(75% mclc,92s,1%) C2022 ⁽³⁾	165, 390
90:10	Conventional Pensions endowments with a variable retirement age	65% AM80	65% AF80	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions endowments – Other – Compound Bonus	65% AM80	65% AF80	65% AM80	65% AF80	155
90:10	Conventional Pensions endowments – Other – Simple Bonus	85% AM80	85% AF80	85% AM80	85% AF80	155, 300
90:10	Reinsurance Accepted Immediate Annuities	90% PMA00 max(mclc,age related min improvement) ⁽²⁾	85% PFA00 max(mclc,age related min improvement) ⁽²⁾	87.5% PMA00 max(mclc,1%) ⁽⁴⁾	87.5% PFA00 max(mclc,1%) ⁽⁴⁾	200
90:10	Non-Unitised Accumulating With Profits – Pensions Business	65% AM80	65% AF80	65% AM80	65% AF80	545
90:10	Unitised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
90:10	Unitised Accumulating With Profits – Other	65% AM80	65% AF80	65% AM80	65% AF80	500, 505, 506, 525, 575
90:10	Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
90:10	Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
90:10	Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

Sub Fund	Product Group	2007		2006		Product Code
		Male	Female	Male	Female	
0:100 BLAGAB	Conventional Life Assurances	85% AM80	85% AF80	85% AM80	85% AF80	300, 435
0:100 BLAGAB	Conventional General Annuity Immediate Annuities pre 1992	97.5% RMV92 max(85% mclc,age related min improvement) ⁽¹⁾	100% RFV92 max(85% mclc,age related min improvement) ⁽¹⁾	110% RMV92 max(75% mclc,92s,1%) ⁽³⁾	100% RFV92 max(75% mclc,92s,1%) ⁽³⁾	395, 400
0:100 BLAGAB	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
0:100 BLAGAB	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	97.5% RMV92 max(85% mclc,age related min improvement) ⁽¹⁾	100% RFV92 max(85% mclc,age related min improvement) ⁽¹⁾	110% RMV92 max(75% mclc,92s,1%) ⁽³⁾	100% RFV92 max(75% mclc,92s,1%) ⁽³⁾	400, 905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	107.5% RMV92 max(mclc,age related min improvement) ⁽²⁾	107.5% RFV92 max(mclc,age related min improvement) ⁽²⁾	105% RMV92 max(mclc,1%) ⁽⁴⁾	105% RFV92 max(mclc,1%) ⁽⁴⁾	400, 905
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	90% PMA00 max(mclc,age related min improvement) ⁽²⁾	85% PFA00 max(mclc,age related min improvement) ⁽²⁾	n/a	n/a	400, 905

Notes

1. Maximum of 85% of the average of (Medium and Long cohort) improvements with a floor of 3% if aged 60 or less reducing linearly down to 0% aged 110
2. Maximum of the average of (Medium and Long cohort) improvements with a floor of 3% if aged 60 or less reducing linearly down to 0% aged 110
3. Maximum of 75% of the average of Medium and Long cohort improvements or CMI17 improvements or 1%.
4. Maximum of the average of Medium and Long cohort improvements or 1%

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			23.8	23.8
90:10	Reinsurance Accepted Immediate Annuities	23.7	14.8		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	22.3	13.8		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	22.3	13.8		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	23.5	14.9		
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	23.7	14.8		

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			26.9	26.9
90:10	Reinsurance Accepted Immediate Annuities	26.5	17.1		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	25.7	16.3		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	25.7	16.3		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	26.1	16.8		
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	26.5	17.1		

- (5) There are no products representing a significant amount of business that use a morbidity basis.
- (6) The expense bases are as follows:

Per Policy Expenses

NON LINKED BUSINESS

Subfund	Product Group	2007 £pa	2006 £pa	Tax Relief	Code
90:10	Conventional endowment with-profits OB savings	64.94	60.28	20%	120
90:10	Conventional endowment with-profits OB target cash	64.94	60.28	20%	125
90:10	Conventional pensions endowment with-profits	64.94	60.28	0%	155
90:10	Conventional deferred annuity with-profits	64.94	60.28	20%	165
0:100 BLAGAB	Annuity non-profit (CPA)	53.51	51.96	20%	400
0:100 Pensions	Annuity non-profit (CPA)	46.61	45.26	0%	400
90:10	Life UWP single premium	58.45	54.25	20%	500
90:10	Life UWP endowment regular premium – target cash	64.94	60.28	20%	515
90:10	Individual pensions UWP	64.94	60.28	0%	525
90:10	Group money purchase pensions UWP	0.00	0.00	20%	535
90:10	Individual deposit administration with-profits	64.94	60.28	20%	545

Gross Investment expenses

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

Sub Fund	Product Group	2007 Bp ⁽²⁾	2006 Bp ⁽²⁾
90:10	All business except inflation swap ⁽¹⁾	69.0	36.0
90:10	Inflation swap ⁽¹⁾	7.0	7.0
0:100 BLAGAB	All business	8.0	8.0
0:100 Pensions	All business	8.0	8.0

Notes:

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

Inflation Rates

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

Sub fund		2007	2006
90:10	Expense inflation	3.6%	3.9%
0:100 BLAGAB	Expense inflation	3.6%	3.6%
0:100 Pensions	Expense inflation	3.6%	3.6%
90:10	Policy charge inflation	3.7%	4.2%
90:10	Expense inflation (Reinsurance Accepted Bonds)	4.7%	4.7%
90:10	Expense inflation (Reinsurance Accepted Immediate Annuities)	4.7%	5.2%

Future Bonus Rates

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

Persistency

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

Product ⁽¹⁾⁽²⁾⁽³⁾		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	lapse	14.6%	6.0%	6.0%	6.0%
Decreasing term	lapse	19.0%	13.0%	13.00%	13.0%
UWP bond	surrender	nil	nil	nil	nil
UWP bond	automatic withdrawals ⁽³⁾	1.5%	1.5%	1.5%	1.5%
UWP indiv pension regular premium	PUP	15.0%	15.0%	15.0%	15.0%

Notes:

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

Retirement Rates

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

Age Attained	2007	2006
60	15%	15%
61	2%	2%
62	2%	2%
63	2%	2%
64	2%	2%
65	40%	40%
66	10%	10%
67	2%	2%
68	2%	2%
69	2%	2%
70	5%	5%
71	5%	5%
72	2%	2%
73	2%	2%
74	2%	2%
75	100%	100%

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

- (11) No allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.

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

Allowance for lapses on valuation of protection business has reduced net mathematical reserves by £4.7m.

Allowance for negative reserves on valuation of protection business has reduced net mathematical reserves by £39.4m.

Allowance for lapses on valuation of reinsured in PAULP GAO liability has reduced net mathematical reserves by £5m .

Options and Guarantees

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

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

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

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

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

Assumption	2007	
Take up Rate	100%	
Rate of interest	BoE gilts spot curve, capped at 3.80%	
Mortality in payment	97.5% RMV00 max(85% mclc,00s,1%) ⁽¹⁾ 100% RFV00 max(85% mclc,00s,1%) ⁽¹⁾	
Expected annuity Guarantee periods	0 years	50%
	5 years	15%
	10 years	35%
Expected annuity Escalation rates	0% p.a.	80%
	3% p.a.	20%
	5% p.a.	0%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years	
Retirement Rates	As per 4(10) above	
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age:	
	Regular	1% pa
	Single	0.5% pa
	All other business	0% pa

Note:

1. Maximum of 85% of the average of Medium and Long cohort improvements or CMI17 improvements or 1%.

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

Type of Business	Product name	Basic reserve £'000	Spread of outstanding durations ⁽¹⁾	Guarantee reserve ⁽²⁾ £'000	GAR (% fund for 65 year old male) ⁽³⁾	Increments allowed?	Annuity form	Retirement Age	Product Code
UK Life	Conventional pensions endowment with-profits	19,079	Gradual run-off, mean term of 16 years	11,077	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	1,073,067	Gradual run-off, mean term of 14 years	640,129	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	82,385	Gradual run-off, mean term of 10 years	40,533	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	76,754	Gradual run-off, mean term of 13 years	41,069	10%	No	See Note 4	60-75	725

Notes:

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

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

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

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

(4) Personal Pensions Guarantee Reserve

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

The following method is used to determine the mathematical reserves:

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

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

Assumption	2007
Rate of interest	0.75% per annum
Rate of salary inflation (including an allowance for salary progression)	1.5% per annum
Expenses loading for annuity in payment ⁽¹⁾	11.1%
Mortality in deferment	65% AM/AF80 ultimate
Mortality in payment	97.5%RMV 00 max(85% mclc,00s,3%) 100%RFV00 max(85% mclc,00s,3%)
Percentage assumed married	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme

⁽¹⁾ annuities in payment are assumed to increase at RPI

The amount of business involved had a basic mathematical reserve of £78 million reserve with additional reserves of £446 million. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

Mortgage Endowment Promise

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

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

Assumption	2007
Rate of interest	2.7% per annum
Mortality - Conventional Life Endowment	85% AM/F80 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/F80 Ult
Voluntary Discontinuance	0% p.a.
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £404 million with additional reserves of £179 million.

Expense Reserves

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

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Non-Unitised Accumulating With Profits - Pensions Business	0	20	23	4	47
Other	0	36	53	0	89
Total	0	56	75	4	135

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

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

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

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

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

Mismatching reserves

7. (1) The liabilities are sterling liabilities.

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

Currency	Liabilities £m	Assets £m
Sterling	8,046	6,724
US Dollar		654
Euro		452
Other		215
Total	8,046	8,046

There is a premium withheld arrangement of £2,547m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £349m worth of assets in USD and £66m worth of assets in euro.

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

Other special reserves

8. A reserve of £15.2m has been made for certain Reinsurance Accepted business (Portfolio Bonds 1a, 1b, 2, Investment Bond, Socially Responsible With Profits Bond, and Capital Account Pensions) in order to cover the difference between the basic mathematical reserves (including cost of bonus) and the sum of:
- (i) the unsmoothed asset shares
 - (ii) the smoothing account balance

(iii) the reserve for future guarantee costs.

The smoothing account balance represents the accumulated surrender profits and losses that will be released to asset shares over time.

The reserve for future guarantee costs has been calculated on a prudent basis allowing for the expected run-off of the business.

A £15 million reserve has been made in Pensions Non-Profit to cover the risk of having to pay an external reinsurer a portion of any increase in best estimate reserves resulting from mortality improvements on annuities in payment.

Reinsurance

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

(2) The following table shows the principal reinsurance treaties used:

Reinsurer	Nature and Extent of the Cover	Premium £M	Premium withheld £M	Closed to New Business?	Amount of any Un-discharged Obligation	Mathematical Reserves Ceded £M	Retention by the Insurer
Opal reinsurance Ltd	Liability to pay the Basic Annuity.	2,735	2,574	Yes	Nil	2,732	Nil

- l) Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom
- m) Opal Reassurance Limited is not a connected company of the insurer.
- n) None of the treaties is subject to any material contingencies such as credit or legal risk.
- o) No provision has been made for any liability of the insurer to refund any reinsurance commission in the event of lapses or surrender of the contract. Any refunds are met out of the corresponding premiums from the reinsurer.
- p) N/A, as the arrangement with Opal is not a financing arrangement.

10. Reversionary (or annual) bonus

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2007 Basic Mathematical Reserve £'000	31.12.2007 Reversionary Bonus £ Per £1 4 weekly premium £	31.12.2006 Reversionary Bonus £ Per £1 4 weekly premium £	31.12.2007 Total guaranteed bonus £ Per £1 4 weekly premium £
Endowment policies	64,394	£0	£0	N/A
Whole Life policies	212,800	£0	£0	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2007 Basic Mathematical reserve £'000	31.12.2007 Reversionary bonus %	31.12.2006 Reversionary bonus %	31.12.2007 Total guaranteed bonus %
Life regular premium	148,766	0%	0%	N/A
Pensions regular premium	161,597	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2007 Basic Mathematical reserve £'000	31.12.2007 Reversionary bonus %	31.12.2006 Reversionary bonus %	31.12.2007 Total guaranteed bonus %
Life regular premium and paid up policies	943,699	0%	0%	N/A
General annuity fund regular premium and paid up policies	29,507	0%	0%	N/A
Pensions regular premium and paid up policies	794,318	0%	0%	N/A
Pensions single premium	781,286	0%	0%	N/A

Ordinary Branch – Non-Unitised Accumulating With-Profits Business

Bonus Series	31.12.2007 Basic Mathematical reserve £'000	31.12.2007 Reversionary bonus %	31.12.2006 Reversionary bonus %	31.12.2007 Total guaranteed bonus %
Regular premium	1,061,952	0%	0%	N/A
Single premium	391,273	0%	0%	N/A
Protected rights DSS recurring single premium	973,422	0%	0%	N/A

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

Bonus Series	31.12.2007	01.01.2007 - 13.03.2007	Reversionary bonus	%	14.03.2007 - 30.06.2007	Reversionary bonus	%	01.07.2007 - 01.10.2007	Reversionary bonus	%	02.10.2007 - 31.12.2007	Reversionary bonus	%	01.01.2007 - 31.12.2007	Total guaranteed bonus
	Basic Mathematical Reserve														
	£'000														
Life policies issued in 1995	14,498	1.5%/0.83%	1.5%	0.83%	1.5%/0.83%	1.5%	0.83%	1.7%/0.94%	1.7%	0.94%	1.7%/0.94%	1.7%	0.94%	N/A	
Life policies issued after 1995	479,869	1.5%/0.83%	1.5%	0.83%	1.5%/0.83%	1.5%	0.83%	1.7%/0.94%	1.7%	0.94%	1.7%/0.94%	1.7%	0.94%	N/A	
Pensions policies	354,696	3.5%/1.75%	3.5%	1.75%	3.5%/1.75%	3.5%	1.75%	4.5%/2.25%	4.5%	2.25%	4.3%/2.15%	4.3%	2.15%	N/A	
ISA Bonus Account policies	187,747	2.9%/1.45%	2.9%	1.45%	2.9%/1.45%	2.9%	1.45%	3.9%/1.95%	3.9%	1.95%	3.8%/1.9%	3.8%	1.9%	N/A	
Bonus Account policies	11,168	2.0%/1.0%	2.0%	1.0%	2.0%/1.0%	2.0%	1.0%	2.7%/1.35%	2.7%	1.35%	2.7%/1.35%	2.7%	1.35%	N/A	

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2007 Basic Mathematical reserve £'000	31.12.2007 Reversionary bonus %	31.12.2006 Reversionary bonus %	31.12.2007 Total guaranteed bonus %
Portfolio Bond 1a	32,054	1.00%	1.00%	N/A
Portfolio Bond 1b	3,866	1.00%	1.00%	N/A
Portfolio Bond 2 ⁽¹⁾	8,492	1.00%	1.00%	See Note (1)
Investment Bond	95,311	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	70,162	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions ⁽²⁾	45,216	1.50%	1.50%	N/A
Group Pensions ⁽²⁾	25,892	1.50%	1.50%	N/A
Capital Account Pensions ⁽²⁾	19,994	3.25%	3.25%	N/A
Immediate Annuities Series 3	17,514	4.50%	4.50%	N/A
Immediate Annuities Series 4	37,986	4.50%	4.50%	N/A

Notes

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

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

PEARL ASSURANCE PUBLIC LIMITED COMPANY

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The date to which the investigation relates is 31 December 2007.
- (2) The date of the previous valuation is 31 December 2006.
- (3) An interim valuation was carried out at 30 June 2007.

2. Assets

- (1) A market-consistent valuation is used to determine the value of future profits on non-profit insurance contracts written within the with-profits fund. The zero coupon curves used for this valuation and the previous valuation are set out below.

Implied zero curve at 31 December 2007 (gilts + 10bp)

Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	4.65%	11	4.69%	21	4.57%	31	4.26%
2	4.50%	12	4.69%	22	4.55%	32	4.23%
3	4.50%	13	4.68%	23	4.52%	33	4.21%
4	4.56%	14	4.68%	24	4.48%	34	4.18%
5	4.62%	15	4.68%	25	4.45%	35	4.16%
6	4.67%	16	4.67%	26	4.42%	36	4.13%
7	4.69%	17	4.66%	27	4.39%	37	4.11%
8	4.69%	18	4.64%	28	4.36%	38	4.09%
9	4.71%	19	4.62%	29	4.33%	39	4.07%
10	4.70%	20	4.60%	30	4.29%	40	4.06%

Source: Tillinghast analysis of Bloomberg data

Implied zero curve at 31 December 2006 (gilts + 10bp)

Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	5.42%	11	4.78%	21	4.43%	31	4.07%
2	5.34%	12	4.75%	22	4.38%	32	4.04%
3	5.30%	13	4.73%	23	4.33%	33	4.02%
4	5.21%	14	4.72%	24	4.29%	34	4.00%
5	5.15%	15	4.71%	25	4.25%	35	3.98%
6	5.07%	16	4.68%	26	4.21%	36	3.96%
7	5.00%	17	4.63%	27	4.18%	37	3.94%
8	4.95%	18	4.59%	28	4.15%	38	3.92%
9	4.89%	19	4.53%	29	4.12%	39	3.90%
10	4.83%	20	4.48%	30	4.10%	40	3.89%

Source: Tillinghast analysis of Bloomberg data

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) The table below shows the methods used to calculate the With-Profits Benefits Reserve.

Table of Retrospective and Prospective Methods Used to Calculate the With-Profits Benefits Reserve (£m)

Product Class	Method used to calculate With-Profits Benefit Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
Conventional With-Profits Life business	Retrospective – asset shares ¹	1,182	199
Conventional With-Profits Pensions business	Retrospective – asset shares ¹	827	567
Conventional With-Profits Industrial Branch business	Retrospective – asset shares	412	84
Non Unitised Accumulating With-Profits business	Retrospective – asset shares	3,104	80
Direct Unitised Accumulating With-Profits business	Retrospective – shadow fund	995	145
Reassurance Accepted Unitised Accumulating With-profits business	Retrospective – shadow fund	309	3
Reassurance Accepted Pension annuity	Retrospective – shadow fund	70 ²	0
Other business	Not applicable	40	1,033
Total		6,939	2,111

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

² The with-profits benefits reserve for annuity business reinsured from London Life is set to the regulatory reserve.

(2) The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) Not applicable.

(4) Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

- (1)(a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 94.0% of the total with-profits benefit reserve.
- (b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 6.0% of the total with-profits benefit reserve.
- (c)(i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.
- (c)(ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2007 was 360,386. These contracts were grouped into a total of 3,546 model points.
- (c)(iii) The effect of any grouping was tested by comparing the statutory reserves calculated for the grouped model points with the actual statutory reserves calculated using the individual policy data used for the regulatory peak valuation. The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level.
- (2)(a) Not applicable.
- (b) Not applicable.
- (3)(a) As maintenance expenses are defined in a Service Management Agreement, an expense investigation is not necessary.

Expenses consist of:

- Defined per policy maintenance charges from a Service Management Agreement,
- Project costs,
- Direct costs such as regulatory costs, and
- Investment management expenses.

Project and direct costs are calculated each year based on the costs incurred.

Investment management expenses are charged directly based on an Investment Management Fee Agreement.

- (b) Not applicable.
- (c)(i) No expenses were identified as initial expenses.
- (c)(ii)

Expenses Allocated to With-Profits Benefits Reserve during 2007 (£m)

Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	51.7
Total expenses	51.7

¹ Service company charges, plus project costs of £2.9m and direct costs of £4.1m less payments of £0.6m received from an expense inflation hedge.

- (c)(iii) For product lines with the with-profit benefits reserve calculated using “retrospective – asset shares”, the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.

For business calculated using “retrospective – shadow fund”, an allowance for expenses is made through an annual management charge expressed as a percentage of the fund.

- (c)(iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were as shown in the table below.

Investment Expenses on assets in 2007

Asset pool / Fund	bp
UK equity	76
Overseas equity	193
UK property	154
Cash	5
Gilts	16
Corporate bonds	37
Swaps	6

- (4) For Conventional With-Profits Life and Pensions business and non Unitised Accumulating With-Profits business, a charge of 0.10% per annum to reflect the cost of guarantees, was capitalised at June 2007 and charged to asset shares. No charge is made to Conventional With-Profits Industrial Branch business, Direct Unitised Accumulating With-Profits business or Reassurance Accepted Unitised Accumulating With-profits business for the cost of guarantees. No other charges were deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital.

The same charges were made during 2006, except for Conventional With-Profits Life and Pensions business and non Unitised Accumulating With-Profits business, where a charge of 0.10% per annum, deducted from the investment return, has been made to reflect the cost of guarantees.

- (5) For Direct Unitised Accumulating With-profits business, a periodical management charge is made to the asset shares, where the charge is as described in Appendix 9.4 for the relevant product.

For Reassurance Accepted Unitised Accumulating With-profits business, the same charging structure is applied to the shadow fund as to the unit fund.

(6) The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below.

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2007	102%
2006	107%
2005	102%

They are a best estimate of the payout ratio for with-profits business for the period based on claims paid, including any guarantee costs. It should be noted that individual payout ratios will differ to this depending on the product and timing of claim.

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2007 was 2.43%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Not applicable.

(2) Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) Not applicable.

(2)(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach, with the exception of the pensions misselling liability which is valued using a certainty equivalence approach.

(b)(i) No contracts have been treated on an individual basis.

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

(b)(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2007 was 1,291,113 (comprising 702,318 pensions contracts and 588,795 life contracts). These contracts were grouped into a total of 13,868 model points (comprising 2,494 pensions and 11,374 life).

The total number of contracts, total office premiums and total guaranteed benefits for the grouped and ungrouped data were compared at product line level. In addition, for conventional business, the effect of any grouping was tested by comparing the regulatory reserves calculated for the grouped model points with the actual regulatory reserves calculated using individual policy data.

(c) Not applicable.

(3) Not applicable.

(4) (a) (i) The main guarantees, options and smoothing valued are:

- Basic benefit guarantees, e.g. the sums assured and attaching reversionary bonuses for conventional with-profits business and the unit fund for accumulating with-profits business payable on death or maturity for a whole life or endowment or deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
- Annuity rate guarantees on certain self employed deferred annuities and some other deferred annuity policies, i.e. a guaranteed annuity rate specified in the contract that can be applied at retirement to convert the cash benefits provided by the contract into annuity benefits. Generally, these annuity rate guarantees are in-the-money.
- Guaranteed minimum pensions (GMP) on Freedom Bond conventional pensions policies that resulted from transfers from contracted out schemes. This guarantee is that the pension provided at retirement is at least above a certain level. Generally, these guaranteed minimum pensions are in-the-money.
- The Mortgage Promise made to certain mortgage endowment policies. Generally, this promise is in-the-money.
- Guaranteed surrender values on direct unitised accumulating with-profits business, where the policyholder receives the unit fund less a surrender penalty on surrender, and where no MVA is applicable. Generally, these guaranteed surrender values are currently in-the-money.
- The cost of smoothing arises due to the policy of constraining payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share..
- Guarantees in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by Pearl Assurance Limited and those where they are shared between Pearl Assurance Limited and Pearl Assurance (Unit Linked Pensions) Ltd. Generally, these guarantees are in-the-money.

(a)(ii) The model assumes that:

- Interest rates follow a 1-factor Hull & White process.
- Corporate bond spreads also follow a 1-factor Hull & White process.
- Equity and property returns follow an extension of the Black-Scholes lognormal model with a stochastic rather than deterministic drift term.

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a 10bp adjustment.
- The two parameters that govern the evolution of the interest rate model are chosen so that, given this yield curve, the model replicates swaption prices that would be implied by the yield curve and market swaption volatilities.

The equity model is driven by two parameters that represent the equity dividend yield and equity process volatility respectively. The dividend yield parameter is set to zero, so as to output total equity returns. The volatility parameter is set to reflect the prices of long term at-the-money equity puts and calls and is fitted using least squares estimation. Note that this parameter is not directly comparable to the observed market equity volatility as the equity process is a function of the stochastic interest rate and therefore some of the interest rate volatility defined by the interest rate volatility parameter is also included in the equity process.

The following table shows the market data used to calibrate the equity process.

Implied volatility of at-the-money FTSE-100 put options (%)

Option Term	1 year	2 years	3 years	4 years	5 years
31 December 2007	21.03	21.56	21.59	21.50	21.65

Source: UBS

To allow for modelling of private equity 120% of the above volatility has been used to derive the volatility parameter.

The correlation assumptions used are listed in the table below. These assumptions are set based on historic data regarding the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption. This analysis has not been updated at this year end.

Correlation factors between asset classes

	Long dated bond returns	Equity returns	Property returns
Long dated bond returns	100%		
Equity returns	30%	100%	
Property returns	10%	30%	100%

Source: Tillinghast Analysis

The property model is parameterised by two parameters that represent the rental yield and property process volatility respectively. The rental yield parameter is set to zero, in order to model total property returns. Ideally, the volatility parameter would be set to reflect the prices of long term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. Note that, as with the equity process, the property volatility parameter is not the observed market property volatility as the property process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the property process. Given the high leverage present in the current property holdings, it was determined that an appropriate volatility for property holdings is 200% of the standard value. Hence a property volatility parameter of 30% was used.

The corporate bond process models the variation in the spread over risk free bonds. The calibration of this process is in two steps:

- Firstly, the model is calibrated to market zero-coupon corporate bond yields at the valuation date, so that the model will exactly reproduce the prices of corporate bonds traded in the market at the valuation date.
- Secondly, two parameters are chosen so that the model optimally replicates the historic volatility of corporate bond spreads.

The overseas equity model is driven by two parameters that represent the overseas equity dividend yield and overseas equity process volatility respectively. The dividend yield parameter is set to zero, so that the total overseas equity returns are modelled. The volatility parameter is set to 40%. This assumption takes into account exchange rate effects as well as the uncertainty due to holding CS equities rather than SPX 500. An analysis of the implied volatilities for options on the Standard & Poor's 500 index (SPX 500) suggested a volatility parameter of approximately 25% if exchange rate effects were ignored, and 27% if they were included.

Data for option prices on the CS index was not available to calibrate the overseas equity process.

As with the equity and property processes, the overseas equity volatility parameter is not the observed market overseas equity volatility as the overseas equity process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the overseas equity process.

The correlation with the equity process was set based on typical correlations between the FTSE 100 and other equity indices supplied by UBS, which suggest that a correlation between the overseas equity and equity processes of 80% is reasonable.

(a)(iii) The following table shows the simulated values of specific options and/or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet, with one exception – the corporate bond scenarios used to derive the values are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine the realistic balance sheet reflected the average credit quality of the corporate bond portfolio.

Simulated values of specific options and / or contracts – 31 December 2007 (£)

	Asset type (all UK assets)	K=0.75			K=1			K=1.5					
		5	15	25	35	5	15	25	35	5	15	25	35
n		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)	4.62%	4.69%	4.45%	4.16%	X	X	X	X	X	X	X	X
1	Risk free zero coupon bond	797,988	503,183	336,426	240,371	X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	93,035	218,981	297,044	362,997	222,557	379,760	471,726	547,227	593,388	764,900	865,163	947,425
3	FTSE All Share Index (p=0.8)	80,034	166,262	206,792	238,335	196,939	295,031	334,757	366,836	539,804	613,112	631,919	649,976
4	Property (p=1)	124,428	271,878	362,536	429,655	258,065	436,795	544,634	622,472	620,589	815,835	938,811	1,036,460
5	Property (p=0.8)	109,799	214,672	264,788	296,117	232,241	351,098	403,097	433,705	568,201	666,025	706,018	729,360
6	15 year risk free zero coupon bonds (p=1)	996	1,844	3,120	10,324	56,537	64,206	72,195	93,846	500,057	500,576	500,522	504,377
7	15 year risk free zero coupon bonds (p=0.8)	253	98	30	497	35,987	16,335	8,538	11,061	435,274	314,211	224,129	179,136
8	15 year corporate bonds (p=1)	2,971	5,228	7,231	14,589	64,235	76,183	86,235	103,939	500,411	501,812	502,173	508,756
9	15 year corporate bonds (p=0.8)	1,547	680	408	1,209	43,767	26,404	15,798	15,486	436,082	319,598	234,201	189,325
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	70,894	182,623	250,513	311,276	193,407	333,819	413,616	488,150	567,646	705,007	795,905	880,205
11	Portfolio of 65% FTSE All Share and 35% property (p = 0.8)	59,725	134,200	169,960	196,150	168,248	253,686	285,407	314,884	512,670	556,219	568,332	588,389
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 1)	40,473	117,524	169,912	222,164	151,933	254,705	320,398	381,501	535,178	631,831	695,499	757,648
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 0.8)	31,786	78,610	101,292	125,646	127,269	179,808	201,123	225,266	477,895	478,392	468,959	475,449
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)	20,114	71,874	111,827	151,156	116,726	195,992	244,729	295,956	514,514	570,318	614,370	665,630

Simulated values of specific options and / or contracts – 31 December 2007 (£)

	Asset type (all UK assets)	K=0.75		K=1		K=1.5							
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p = 0.8)	14,336	41,582	57,475	73,443	93,031	125,191	138,317	153,816	454,221	413,999	387,591	386,823
		L = 15		L = 20		L = 25							
16	Receiver swaptions	5.81%	7.40%	7.07%	5.28%	7.70%	9.48%	8.63%	6.42%	9.68%	11.21%	9.93%	7.37%

Notes:

(1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option the risk free rate implied by the scenarios was used, rather than the truncated risk free rate.

- (a)(iv) As described in 6(4)(a)(ii) the UK equity dividend yield and the overseas equity dividend yield have been set to zero. The property rental yield parameter is also set to zero, so as to output total property returns.
- (a)(v) For the purposes of rule 1.3.62 of the INSPRU sourcebook, the US and the Eurozone were the only significant overseas territories. There is no separate asset model for overseas assets and so the simulated prices of the swaptions would be the same as those set out in the table in 6(4)(a) (iii).
- (a)(vi) The outstanding term of significant guarantees within material product classes are shown in the following table.

Outstanding term of significant guarantees (years)				
Product Class	GAO / GMP on maturity	Guarantees on maturity	Guarantees on surrender	Mortgage Endowment Promise
Conventional With-profits Life business	N/A	4	N/A	8
Conventional With-profits Pension business	12	11	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	3	N/A	N/A
Non unitised Accumulating With-profits business	N/A	15	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	16	8	9
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

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

Ratio of simulated to pseudo swaptions prices⁽¹⁾		
Option Maturity	Swap Length	
	10 years	15 years
10 years	100%	100%
15 years	98%	98%

(1) A swaption consistent with the gilts base curve risk-free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

This table demonstrates that the scenarios can be used to reproduce market prices. The observed errors are small, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

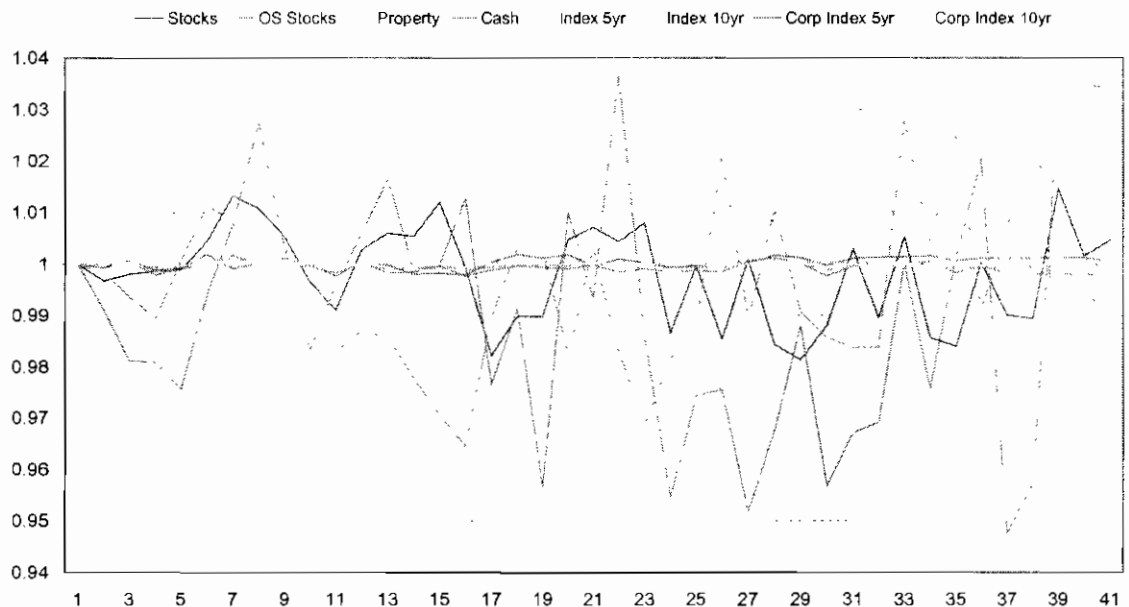
- (a)(vii) The validation process involves two tests:
- Ensuring the scenarios satisfy the principle of no arbitrage.
 - Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator is based on well-established models that have been subject to peer review in the academic literature. Published proofs exist that the models are internally consistent and arbitrage free. The models are implemented using simulation techniques. To ensure that the models have been implemented correctly and that the simulation process does not introduce bias test runs were carried out using sufficient numbers of scenarios (8 million in total) such that the test illustrated below would identify any systematic errors. The models have passed this test without error.

In day to day use, it is not possible to use sufficient scenarios to eliminate all simulation error. For this fund 1000 scenarios were used.

The chart below is used to demonstrate that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (this test is referred to as the “one=one” test). Given that the chart is the result of calculating the expected value via simulation, a margin for error is expected. The observed error is small and the scenarios are considered to pass the no-arbitrage test.

No-arbitrage test - Pearl Base - Year-End 2007



The results shown above are better than might be expected from a naïve simulation given the number of scenarios used and the volatilities involved. The scenario generation process incorporates extensive rejection testing and other variance reduction techniques to ensure that the scenarios selected pass the no-arbitrage test to a close tolerance.

The second test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This test has been carried out separately for swaptions, equity, property and overseas equity options and the initial yield curve.

The following Tables show the results of this test for the prices of the hybrid swaptions used in the calibration process and actual swaptions using the swap curve as the discount rate. The tables express the simulated value as a percentage of the theoretical value. As with the “no-arbitrage” test described above, this test is the result of a simulation and therefore some error is expected. However the observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. As such we conclude that the scenarios are market consistent.

Ratio of simulated to hybrid market swaption prices (using the Gilt base curve as the discount rate)

		Swap Length					
		5	10	15	20	25	30
Option Maturity	5	108.5%	104.9%	104.7%	102.3%	101.8%	102.2%
	10	105.1%	100.3%	99.9%	101.3%	101.1%	101.0%
	15	102.2%	98.0%	98.2%	99.7%	96.8%	97.0%
	20	107.6%	103.3%	101.2%	101.1%	100.1%	97.7%
	25	112.2%	104.6%	100.4%	100.1%	97.4%	95.1%
	30	111.2%	100.9%	96.6%	95.5%	94.1%	91.8%

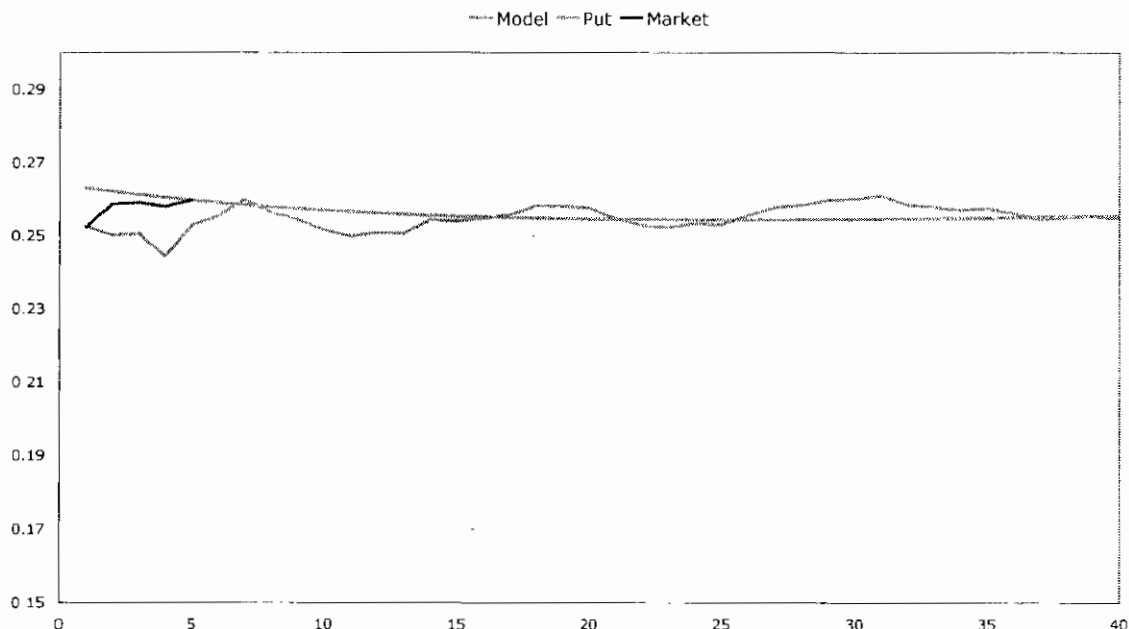
Ratio of simulated to actual market swaption prices (using the swap curve as the discount rate)

		Swap Length					
		5	10	15	20	25	30
Option Maturity	5	107.5%	105.9%	106.2%	102.8%	101.9%	101.6%
	10	108.9%	103.7%	101.2%	101.9%	100.8%	101.0%
	15	105.2%	97.5%	97.2%	97.6%	95.3%	97.4%
	20	102.2%	99.2%	96.2%	97.5%	99.4%	95.6%
	25	109.2%	99.5%	97.6%	101.4%	96.4%	92.2%
	30	102.7%	98.0%	99.9%	95.2%	91.2%	88.1%

The tables demonstrate the model output provides a reasonable fit to durations of between 10 and 20 years, shown shaded, to closely match the liabilities.

The chart below shows the results for the market price test applied to at the money equity put and call options. The short (red) line shows the market volatilities used to calibrate the model. The calibration is weighted heavily to the longer term equity volatility. The smooth (blue) line shows the volatility implied by the theoretical put option price calculated from the model (chosen to be consistent with the market volatility as explained above). The irregular (purple) line shows the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that market consistency is satisfied.

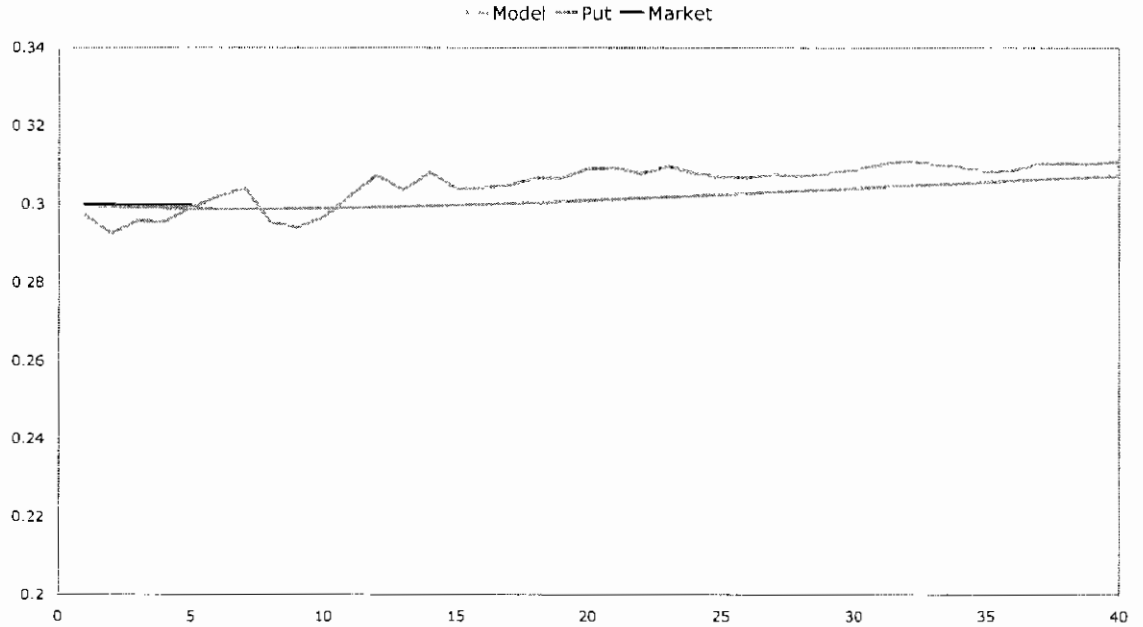
Pearl - Equity Option Implied Volatility - Base - Year End 2007



As explained above the property volatility has not been calibrated to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, the fit to the volatility assumption of 30% mentioned above can be demonstrated.

The chart below shows the results for the property index option test. The short (red) line shows the assumed volatility of 30% which as been used to calibrate the model. The smooth (blue) line shows the volatility implied by the theoretical put option price on the property index calculated from the model. The irregular (purple) line shows the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

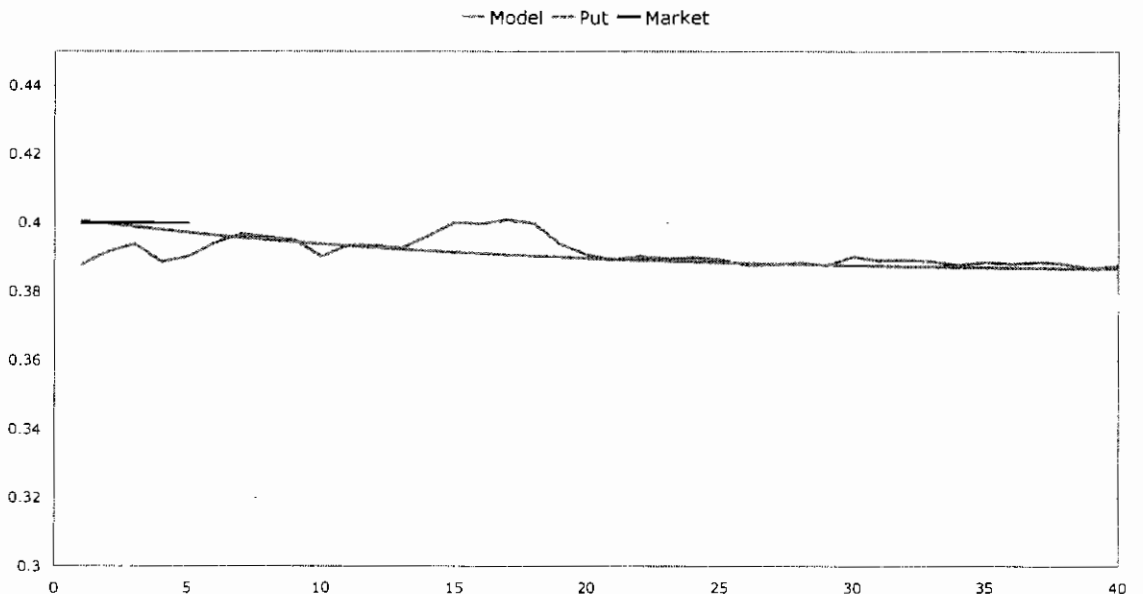
Pearl - Property Option Implied Volatility - Base - Year End 2007



As explained above the overseas equity volatility was not calibrated to market data. Therefore it is not possible to illustrate the fit of the overseas equity scenarios to market data. However, the fit to the volatility assumption of 40% mentioned above can be demonstrated.

The chart below shows the results for the overseas equity index option test. The short (red) line shows the assumed volatility of 40% which has been used to calibrate the model. The smooth (blue) line shows the volatility implied by the theoretical put option price on the overseas equity index calculated from the model. The irregular (purple) line shows the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

Pearl - Overseas Equity Option Implied Volatility - Base - Year End 2007



The table below shows the fit of the scenarios to the initial yield curve. Here, the simulated price of a risk free bond is compared with its price as implied by the zero curve. The ratio of simulated to market price can be seen to be very close to unity.

Ratio of simulated to market initial yield curve	
Term of Bond	Ratio of simulated to market price
1	99.9%
5	100.0%
10	99.9%
15	99.9%
20	99.9%
25	100.0%
30	100.1%
35	100.0%
40	100.0%

(a)(viii) Simulations were performed using 1,000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a)(vii) above.

(b) Not applicable.

(c) Not applicable.

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

- The asset mix of the with-profits fund is moved to the intended long-term asset mix, by 31 December 2008.
- Final bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
- Annual bonus rates are set depending on economic conditions
- If the working capital burns-through the assets in the Pacific fund in either the base or the risk capital margin scenario, the assets of the with-profits fund are moved into gilts and cash. This management action was not required at 31 December 2007.
- Differences between the movement in assets backing the basic and GAO guarantees and their corresponding provisions are charged/credited to relevant asset shares
- Smoothing profits/losses are credited/charged to relevant asset shares
- The amount of estate available for distribution is included in the claims paid.
- If assets deemed alternative investments earn less than the risk free rate for two consecutive years, then the company sells these assets and reverts to conventional assets.

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

Projected Equity Proportions – Scenarios (i), (ii) and (iii)		
	Equity Proportion	
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At 31 December 2007	33.1%	33.1%
(i) Risk free interest rate curve - End 5 years	31.7%	31.7%
(i) Risk free interest rate curve - End 10 years	27.7%	27.7%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2007	33.1%	33.1%
(ii) Risk free interest rate curve + 17.5% - End 5 years	31.7%	31.7%
(ii) Risk free interest rate curve + 17.5% - End 10 years	27.7%	27.7%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2007	33.1%	33.1%
(iii) Risk free interest rate curve – 17.5% - End 5 years	31.7%	31.7%
(iii) Risk free interest rate curve – 17.5% - End 10 years	27.7%	27.7%

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

	Direct Unitised Accumulating With-profits business ⁽¹⁾				Non Utilised Accumulating With-profits Business (%)	Reassurance Accepted Unitised Accumulating With-profits business Life (%)
	Life (%)	Pensions (%)	Bonus Account (%)	ISA (%)		
(i) Risk free interest rate curve - At 31 December 2007	2.0 / 1.0	4.0 / 2.0	2.0 / 1.0	3.0 / 2.0	0.0	1.0
(ii) Risk free interest rate curve - End 5 years	4.0 / 2.0	4.0 / 2.0	2.0 / 1.0	3.0 / 1.0	1.6	1.0
(iii) Risk free interest rate curve - End 10 years	3.0 / 2.0	4.0 / 2.0	2.0 / 1.0	2.0 / 1.0	2.0	1.0
(i) Risk free interest rate curve +17.5% - At 31 December 2007	2.0 / 1.0	4.0 / 2.0	2.0 / 1.0	3.0 / 2.0	0.0	1.0
(ii) Risk free interest rate curve +17.5% - End 5 years	4.0 / 2.0	4.0 / 2.0	2.0 / 1.0	3.0 / 1.0	1.0	1.0
(iii) Risk free interest rate curve +17.5% - End 10 years	4.0 / 2.0	4.0 / 2.0	2.0 / 1.0	3.0 / 1.0	1.7	1.0
(i) Risk free interest rate curve -17.5% - At 31 December 2007	2.0 / 1.0	4.0 / 2.0	2.0 / 1.0	3.0 / 2.0	0.0	1.0
(ii) Risk free interest rate curve -17.5% - End 5 years	3.0 / 1.0	3.0 / 2.0	1.0 / 1.0	2.0 / 1.0	0.9	1.0
(iii) Risk free interest rate curve -17.5% - End 10 years	3.0 / 1.0	3.0 / 2.0	2.0 / 1.0	2.0 / 1.0	1.2	1.0

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

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

Product		Average paid-up / lapse rate for the policy years			
		1- 5	6-10	11-15	16-20
Conventional With-profits Life business regular premium	PUP	1.0	1.0	1.0	1.0
Conventional With-profits Life business regular premium	lapse	4.5	4.5	4.5	4.5
Conventional With-profits Life business single premium	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business regular premium	PUP	2.5	2.5	2.5	2.5
Conventional With-profits Pensions business regular premium (1)	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business single premium	lapse	1.0	1.0	1.0	1.0
Conventional With-profits Industrial Branch business regular premium	PUP	0.0	0.0	0.0	0.0
Conventional With-profits Industrial Branch business regular premium	lapse	0.0	0.0	0.0	0.0
Non Unitised Accumulating With-profits business	PUP	9.0	9.0	9.0	9.0
Non Unitised Accumulating With-profits business	lapse	4.0	4.0	4.0	4.0
Direct Unitised With-profits Life business regular premium	PUP	3.0	3.0	3.0	3.0
Direct Unitised With-profits Life business regular premium	lapse	5.0	5.0	5.0	5.0
Direct Unitised With-profits Life business single premium (2)	lapse	18.0	See note (3)	23.0	23.0
Direct Unitised With-profits Pensions business regular premium	PUP	10.0	10.0	10.0	10.0
Direct Unitised With-profits Pensions business regular premium	lapse	3.0	3.0	3.0	3.0
Direct Unitised With-profits Pensions business single premium	lapse	3.0	3.0	3.0	3.0
Direct Unitised With-profits business ISA and Bonus Account	PUP	3.0	3.0	3.0	3.0
Direct Unitised With-profits business ISA and Bonus Account	lapse	10.0	See note (4)	10.0	10.0
Reassurance Accepted Unitised Accumulating with-profits Life Business	lapse	See note (5)	See note (5)	21.0	21.0

(1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.

(2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.

(3) Lapse rate of 38% per annum in year 6 and 23% per annum thereafter.

(4) Lapse rate of 50% per annum in year 6 and 10% per annum thereafter.

(5) Lapse rates in years 1-5 of 2%, 5%, 8%, 10% and 20% per annum respectively. Lapse rates in year 6 of 25% per annum and 21% per annum thereafter.

The annuitant mortality and take-up rate assumptions are shown in the following tables.

	Projection Basis	
	Male	Female
Conventional With-profits Pensions business	75% AM80 Ultimate	75% AF80 Ultimate
Annuity Rate Guarantee – post vesting ⁽¹⁾	105.0% RMV00 projected	107.5% RFV00 projected

⁽¹⁾ with mortality improvements as Maximum of 85% of the average of (Medium and Long cohort) improvements with a floor of 3% if aged 60 or less reducing linearly down to 0% aged 110

Annuity Rate Guarantee Take-up rate Assumptions		
Tax free cash percentage	Self Employed Deferred Annuity	22%
	Other Deferred Annuity	13%
Take-up rate	Self Employed Deferred Annuity	100%
	Other Deferred Annuity	95%

(7) There is no allowance for any policyholder actions that would be taken by policyholders in the projection of the assets and the liabilities.

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2007 (£m)	
Liability	Value
Pensions misselling	349
Other misselling provisions	0
Value of future profits from direct unitised accumulating with-profits business	(35)
Value of future profits from reinsurance accepted unitised with-profits business	(5)
Value of future shareholder transfers from direct unitised accumulating with-profits business	30
Investment return tax and investment expenses	23
Value of investment fees	105
Value of future tax charges levied	73
Additional liability for expenses	7
Total	547

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly.'

9. Realistic Current Liabilities

The realistic current liabilities were £356m and the following table gives a breakdown at 31 December 2007.

Current liabilities at 31 December 2007 (£m)	
Liability	Value
Outstanding claims	61
Other provisions	23
Creditors	225
Accruals and deferred income	2
Deferred tax liability	45
Total Realistic Current liabilities	356
Provision for "reasonably foreseeable adverse variations"	3
Total Regulatory Current Liabilities	359

10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2007 was zero.

The most onerous scenario is that which combines:

- (i) 20% fall in equity values; 12.5% fall in property values.
 - (ii) 17.5% fall in yield curve (UK assets), equivalent to a 0.80% nominal change in the long term gilt yield from 4.55% to 3.75%. US bond yields are reduced by 0.78%. Eurozone bond yields are reduced by 0.80%.
 - (iii) The average change in spreads for bonds was +209 basis points (weighted by value), resulting in a 7.4% fall in bond asset value. The fall in market value for swaps and swaptions was 6.5%.
 - (iv) The persistency risk scenario did not result in any change in the realistic value of liabilities.
 - (v) Not applicable.
- (b)
- (i) No additional management actions to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.
 - (ii) Not applicable.
 - (iii) Not applicable.
 - (iv) Not applicable.
- (c)
- (i) Not applicable.
 - (ii) Not applicable.

11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates are 20% on savings income and indexed capital gains (before allowance for deferral of gains) and nil on franked income. Tax relief on expenses is assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

The with-profit fund holds the following major derivative positions:

- A portfolio of purchased swaptions with nominal exposure of £697m. The options have maturity dates spread over the next 12 years. The underlying swaps entitle Pearl to receive the strike rate in exchange for the floating swap rate over a term of 15 years. The average strike rate was 5.1%.
- A portfolio of purchased swaptions with nominal exposure of £784m. The options have maturity dates spread over the next 22 years. The underlying swaps entitle Pearl to receive the floating rate in exchange for the strike rate over a term of 20 years. The average strike rate was 8.1%.
- A swap arrangement in which Pearl pays the coupons and maturity proceeds from an earmarked portfolio of gilts worth £332m, in return for a set of pre-defined inflation indexed cashflows over the next 49 years.
- A portfolio of interest rate swaps with nominal exposure of £1,769m in which Pearl pays floating rate coupons and receives fixed rate coupons. The average term to maturity is 19 years and the average rate of the fixed coupons is 4.6%.
- A portfolio of interest rate swaps with nominal exposure of £1,525m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to maturity is 13 years and the average rate of the fixed coupons is 4.9%.
- A portfolio of overseas interest rate swaps with nominal exposure of £115m where Pearl pays floating rate coupons and receives fixed rate coupons. The average term to maturity is 1 year and the average of the fixed coupons is 11.1%.
- A portfolio of overseas interest rate swaps and total return swaps with nominal exposure of £632m where Pearl pays fixed rate coupons and receives floating rate coupons. The average term to maturity is 5 years and the average of the fixed coupons is 3.7%.
- A portfolio of UK gilt and bond futures worth £17m.
- A portfolio of overseas gilt and bond futures worth (£53m).
- A portfolio of UK equity futures worth (£241m).

13. Analysis of Working Capital

Analysis of Movement in Working Capital (£m)	
With-Profits Fund Working Capital at 31 December 2006	0
Undo zeroisation to Opening working capital	518
Opening Adjustments	85
Investment management	52
Insurance variance	(35)
Insurance assumption changes	42
Guarantee and smoothing charges	90
Unexplained	(4)
Planned Enhancements	(748)
Reported Working Capital at 31 December 2007	0

14. Optional Disclosure

Not applicable.

Returns under the Accounts and Statements Rules

Statement required under rule 9.32

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

Reinsurance contracts entered into in the year

No outward contracts of non-facultative reinsurance were entered into, however, an endorsement to the Monarch arrangement has removed Pearl's obligations as a first layer reinsurer. By way of novation, effective December 2007, Pearl's obligations up to a limit of US\$ 500 million have been assumed by Berkshire Hathaway and Swiss Re.

Reinsurance premiums ceded in the year

	Reporting category	Non- facultative reinsurance £'000
640	Proportional Marine	3

All premiums ceded relate to non facultative reinsurance.

Returns under the Accounts and Statements Rules

Additional information on financial reinsurance and financing arrangements: general insurers required by rule 9.32A

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

The insurer has no contracts of insurance which meet the conditions in rule 9.32A (2).

The determination of whether a contract of insurance meets one or both of the conditions in 9.32A (2) is arrived at after taking appropriate internal and external advice regarding the insurer's future commitments to make payments in respect of each contract relative to the economic value provided by that contract. A significant component in the determination referred to above is advice taken from external actuarial advisors to confirm the adequacy of the level of cover provided by the contract of insurance. Information gathered from ongoing monitoring of the reinsurers' financial position for each contract of insurance is also brought into consideration.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

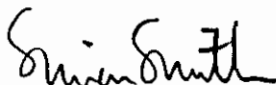
Financial year ended 31 December 2007

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) the directors are satisfied that :
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), 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 the directors' opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year for the long-term insurance-business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
- (d) the directors have, in preparing the return, taken and paid due regard to-
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



J S Moss
Managing Director



J S B Smith
Director



J R Cusins
Director

Date: 20 March 2008

Returns under the Accounts and Statements Rule

Independent auditors' report to the directors pursuant to rule 9.35

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2007

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000.

- Forms 1 to 3, 11 to 25, 30, 40 to 43, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 ("the statements"); and
- the reports required by IPRU(INS) rule 9.31("the valuation reports");

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

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1)

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions referred to in supplementary notes 0101 and 0201. Under IPRU(INS) rule 9.11 the Forms, the statements and the valuation reports are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statements and the valuation reports meet these requirements and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept proper accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rule

Independent auditors' report to the directors pursuant to rule 9.35 (continued)

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2007

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on March 2008. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements and the valuation reports.

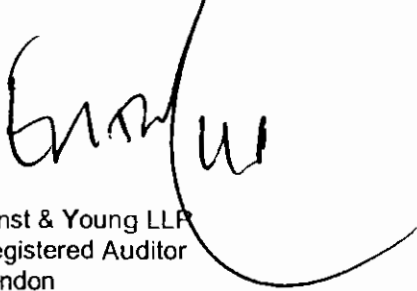
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with 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 statements 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 required by IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.


Ernst & Young LLP
Registered Auditor
London

Date: 12 March 2008