

Phoenix Life & Pensions Limited

(formerly Royal & Sun Alliance Life & Pensions Limited)
(A member of the Resolution plc group)

Registered Office: Edward Pavilion, Albert Dock, Liverpool, Merseyside, L3 4SL

**Annual FSA Insurance Returns for the year ended
31st December 2005**



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

Statement of solvency - long-term insurance businessName of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R2	1565099	GL	31	12	2005	£000
			As at end of this financial year		As at end of the previous year		
			1		2		

Capital resources

Capital resources arising within the long-term insurance fund	11	1303369	1180055
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	61520	48550
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1364889	1228605

Guarantee Fund

Guarantee Fund requirement	21	105921	122923
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1258968	1105682

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	317764	368770
Resilience capital requirement	32		
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	317764	368770
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	317764	368770
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1206007	1016615
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1126566	924423

Enhanced capital requirement

With-profits insurance capital component	39	947932	707404
Enhanced capital requirement	40	1265696	1076174

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1265696	1076174
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	99193	152431

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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Covering sheet to Form 2

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

..... **G L SINGLETON** **DIRECTOR**

..... **R CRAINE** **DIRECTOR**

..... **R E K GREENFIELD** **DIRECTOR**

29 March 2006

Components of capital resources

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	1565099	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4		

Core tier one capital

Permanent share capital	11		5000	5000	5000
Profit and loss account and other reserves	12		53357	53357	38670
Share premium account	13		4880	4880	4880
Positive valuation differences	14		1091266	1091266	
Fund for future appropriations	15		174709	174709	1329037
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1329212	1329212	1377587

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		1329212	1329212	1377587
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				176587
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				176587
Total tier one capital after deductions (31-37)	39		1329212	1329212	1201000

Components of capital resources

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	1565099	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4		

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46		35955	35955	
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49		35955	35955	

Fixed term preference shares	51				
Other tier two instruments	52				35503
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				35503

Total tier two capital before restrictions (49+59)	61		35955	35955	35503
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		35955	35955	35503

Components of capital resources

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	1565099	GL	31	12	2005	£000
	General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		1365167	1365167	1236503
Inadmissible assets other than intangibles and own shares	73		278	278	7898
Assets in excess of market risk and counterparty limits	74				
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		1364889	1364889	1228605

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		1364889	1364889	1228605
Available capital resources for 50% MCR requirement	82		1364889	1364889	1201000
Available capital resources for 75% MCR requirement	83		1364889	1364889	1201000

Financial engineering adjustments

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

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

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R11	1565099	GL	31	12	2005	£000
		This financial year 1		Previous year 2		
Gross premiums written	11		1789			2043
Premium taxes and levies (included in line 11)	12					
Premiums receivable net of taxes and levies (11-12)	13		1789			2043
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		1789			2043
Gross premiums earned	21		1789			2043
Premium taxes and levies (included in line 21)	22					
Premiums earned net of taxes and levies (21-22)	23		1789			2043
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		1789			2043
Sub-total I (higher of sub-total A and sub-total H)	30		1789			2043
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	322			368
	Excess (if any) over 50M EURO x 0.02	33				
Sub-total J (32-33)	34		322			368
Claims paid in period of 3 financial years	41		3076			5642
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	1295			1526
	For insurance business accounted for on an accident year basis	43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44	1160			832
	For insurance business accounted for on an accident year basis	45				
Sub-total C (41+42+43-44-45)	46		3211			6336
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47		103			
Sub-total D (46-47)	48		3108			6336
Reinsurance ratio (Sub-total D / sub-total C or, if more, 50% or, if less, 100%)	49		96.79			100.00
Premiums amount Sub-total J x reinsurance ratio	50		312			368
Provisions for claims outstanding (before discounting and net of reinsurance)	51		1295			1526
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)	52		466			433
Greater of lines 50 and 52	53		466			433

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R12	1565099	GL	31	12	2005	£000
				This financial year 1		Previous year 2	
Reference period (No. of months) See PRU7.2.63R		11		36		36	
Claims paid in reference period		21		3076		5642	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22		1295		1526	
	For insurance business accounted for on an accident year basis	23					
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24		1160		832	
	For insurance business accounted for on an accident year basis	25					
Claims incurred in reference period (21+22+23-24-25)		26		3211		6336	
Claims incurred for classes 11, 12 or 13 (included in 26)		27					
Claims incurred for "actuarial health insurance" (included in 26)		28					
Sub-total E (26 + 1/2 27 - 2/3 28)		29		3211		6336	
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31		1070		2112	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32		278		549	
	Excess (if any) over 35M EURO x 0.03	33					
Sub-total G (32 - 33)		39		278		549	
Claims amount Sub-total G x reinsurance ratio (11.49)		41		269		549	
Higher of premiums amount and brought forward amount (11.53)		42		466		433	
General insurance capital requirement (higher of lines 41 and 42)		43		466		549	

Analysis of admissible assets

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1565099	GL	31	12	2005	£000	1
Investments						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11				
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		3858		6652
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				
	Other			46		47000		75000
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assets

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1565099	GL	31	12	2005	£000	1
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				
		Property linked		59				
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business		Policyholders		71				
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74				
		Ceded		75				
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		3		1
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		12922		16239
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		491		974
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets								
				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)								
				89		64274		98866

Analysis of admissible assets

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1565099	GL	31	12	2005	£000	1
						As at the end of this financial year	As at the 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 market risk and counterparty limits (as per line 89 above)	91	64274	98866
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	37672	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	101946	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	3	1
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Analysis of admissible assets

Name of insurer **Phoenix Life & Pensions Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1565099	GL	31	12	2005	£000	10
Investments						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11		815140		779010
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41		1150554		1172889
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		70187		96929
Rights under derivative contracts				44		91929		42696
Fixed interest securities	Approved			45		3408648		4366173
	Other			46		2116756		2492635
Variable interest securities	Approved securities			47		154888		154830
	Other			48		57846		49925
Participation in investment pools				49				
Loans secured by mortgages				50		7517		9171
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		1783		2582
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				

Analysis of admissible assets

Name of insurer **Phoenix Life & Pensions Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1565099	GL	31	12	2005	£000	10
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58		206160		195765
		Property linked		59		5270		4643
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				448
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74		10762		5389
		Ceded		75				
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		28270		37226
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		15631		18277
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		80965		95170
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86		2596		2944
Deductions from the aggregate value of assets								
				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)								
				89		8224902		9526702

Analysis of admissible assets

Name of insurer **Phoenix Life & Pensions Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	1565099	GL	31	12	2005	£000	10
					As at the end of this financial year	As at the 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 market risk and counterparty limits (as per line 89 above)	91	8224902	9526702
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	3110836	
Other asset adjustments (may be negative)	100	(116158)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	11219580	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	7153	
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Long term insurance business liabilities and marginsName of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**Fund **Ordinary Long Term**Units **£000**

		As at the end of this financial year 1	As at the end of the previous year 2	
Mathematical reserves, after distribution of surplus		11	6637958	8155744
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	500	500
Long term insurance business fund carried forward (11 to 13)		14	6638458	8156244
Claims outstanding	Gross amount	15	47044	45800
	Reinsurers' share	16	195	183
	Net (15-16)	17	46849	45617
Provisions	Taxation	21	28744	
	Other	22	3817	2444
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	1193	1549
	Reinsurance accepted	32	9444	
	Reinsurance ceded	33	4329	4786
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	34173	25287
	Other	38	142267	105011
Accruals and deferred income		39	12759	6209
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	283575	190903
Excess of the value of net admissible assets		51	1302869	1179555
Total liabilities and margins		59	8224902	9526702
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61		875
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	5815	5512
Total liabilities (11+12+49)		71	6921533	8346647
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	3110836	
Other adjustments to liabilities (may be negative)		74	1012502	
Capital and reserves and fund for future appropriations		75	174709	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	11219580	

Liabilities (other than long term insurance business)Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R15	1565099	GL	31	12	2005	£000
				As at the end of this financial year 1		As at the end of the previous year 2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	758	816
	Recommended dividend	48		49500
	Other	49	1996	
Accruals and deferred income		51		
Total (19 to 51)		59	2754	50316
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	35955	35503
Total (59 to 63)		69	38709	85819

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	37951	35503
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	63237	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	101946	

Profit and loss account (non-technical account)Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

		Company registration number	GL/UK/CM	Period ended			Units
		R16	GL	day	month	year	£000
				31	12	2005	
		This financial year		Previous year			
		1		2			
Transfer (to)/from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13	12916			16094	
Investment income	Income	14	4524			3086	
	Value re-adjustments on investments	15					
	Gains on the realisation of investments	16					
Investment charges	Investment management charges, including interest	17	1995				
	Value re-adjustments on investments	18				365	
	Loss on the realisation of investments	19					
Allocated investment return transferred to the general insurance business technical account		20					
Other income and charges (particulars to be specified by way of supplementary note)		21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	15445			18815	
Tax on profit or loss on ordinary activities		31	758			816	
Profit or loss on ordinary activities after tax (29-31)		39	14687			17999	
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	14687			17999	
Dividends (paid and proposed)		51				49500	
Profit or loss retained for the financial year (49-51)		59	14687			(31501)	

Analysis of derivative contractsName of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	1565099	GL	31	12	2005	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22	2			1			
	Land	23							
	Currencies	24							
	Other	25	39550			27777			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	90129	116845		43370		61091	
Adjustments for variation margin		41	(37752)			(28452)			
Total (11 to 41)		49	91929	116845		42696		61091	

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life & Pensions Limited**
Global business
Financial year ended **31st December 2005**
With-profits fund **Ordinary Long Term 1**
Units **£000**

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

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	8224902	9526702
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13	1210584	2486979
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in fund	14	64252	86372
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15		
	Total (11+12-(13+14+15))	19	6950066	6953351
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5427374	5668765
	Regulatory current liabilities of the fund	22	321248	226405
	Total (21+22)	29	5748622	5895170
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	253512	282397
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		39	6002134	6177567
Regulatory excess capital (19-39)		49	947932	775784

Realistic excess capital

Realistic excess capital	51		68380
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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	947932	707404
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62	37672	
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63	37672	
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero; else greater of 61 and zero)	64	947932	707404

Realistic balance sheet

Name of insurer **Phoenix Life & Pensions Limited**
 Global business
 Financial year ended **31st December 2005**
 With-profits fund **Ordinary Long Term 1**
 Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	6950066	6953351
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	104502	186898
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in the fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	7054568	7140249
Support arrangement assets	27		
Assets available to the fund (26+27)	29	7054568	7140249

Realistic value of liabilities of fund

With-profits benefits reserve	31	6132447	6423939
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	11017
	Planned enhancements to with-profits benefits reserve	34	129522
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35	46647
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	
	Future costs of contractual guarantees (other than financial options)	41	85870
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	260325
	Future costs of smoothing (possibly negative)	44	1413
	Financing costs	45	(396)
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	161388
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	580458	
Realistic current liabilities of the fund	51	341663	
Realistic value of liabilities of the fund (31+49+51)	59	7054568	

Realistic balance sheet

Name of insurer **Phoenix Life & Pensions Limited**
 Global business
 Financial year ended **31st December 2005**
 With-profits fund **Ordinary Long Term 1**
 Units **£000**

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

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	7054568	7071869
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	7054568	7071869
Risk capital margin for fund (62-59)	65		62558
Realistic excess capital for fund (26-(59+65))	66		68380
Realistic excess available capital for fund (29-(59+65))	67		68380
Working capital for for fund (29-59)	68		130938
Working capital ratio for fund (68/29)	69		0.02

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

Additional amount potentially available for inclusion in line 62	81	99192	48550
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue accountName of insurer **Phoenix Life & Pensions Limited**Name and number of fund/Summary **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	(1282114)	253221
Investment income receivable before deduction of tax	12	436224	479864
Increase (decrease) in the value of non-linked assets brought into account	13	371144	379342
Increase (decrease) in the value of linked assets	14	403	(97)
Other income	15	580	
Total income	19	(473763)	1112330
Expenditure			
Claims incurred	21	945844	1056731
Expenses payable	22	41290	64533
Interest payable before deduction of tax	23	5172	6554
Taxation	24	38801	31892
Other expenditure	25		508
Transfer to (from) non technical account	26	12916	16094
Total expenditure	29	1044023	1176312
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1517786)	(63982)
Fund brought forward	49	8156244	8220226
Fund carried forward (39+49)	59	6638458	8156244

Long term insurance business : Analysis of premiumsName of insurer **Phoenix Life & Pensions Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	161889	48150	2274	212313	248811
Single premiums	12	(3548)	75685	2173	74310	112202
Reinsurance - external						
Regular premiums	13	32950			32950	36046
Single premiums	14		1494282		1494282	
Reinsurance - intra-group						
Regular premiums	15	5	32593		32598	41687
Single premiums	16	26	8881		8907	30059
Net of reinsurance						
Regular premiums	17	128934	15557	2274	146765	171078
Single premiums	18	(3574)	(1427478)	2173	(1428879)	82143
Total						
Gross	19	158341	123835	4447	286623	361013
Reinsurance	20	32981	1535756		1568737	107792
Net	21	125360	(1411921)	4447	(1282114)	253221

Long term insurance business : Analysis of claimsName of insurer **Phoenix Life & Pensions Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**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	60769	9369	876	71014	85485
Disability periodic payments	12					
Surrender or partial surrender	13	456382	127628	9348	593358	632007
Annuity payments	14	5257	120971	3222	129450	128929
Lump sums on maturity	15	193441	98116	12407	303964	330508
Total	16	715849	356084	25853	1097786	1176929
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		35352		35352	1
Lump sums on maturity	25					
Total	26		35352		35352	1
Reinsurance - intra-group						
Death or disability lump sums	31	17192	2950		20142	23199
Disability periodic payments	32					
Surrender or partial surrender	33	8449	73376		81825	85657
Annuity payments	34					
Lump sums on maturity	35		14623		14623	11341
Total	36	25641	90949		116590	120197
Net of reinsurance						
Death or disability lump sums	41	43577	6419	876	50872	62286
Disability periodic payments	42					
Surrender or partial surrender	43	447933	54252	9348	511533	546350
Annuity payments	44	5257	85619	3222	94098	128928
Lump sums on maturity	45	193441	83493	12407	289341	319167
Total	46	690208	229783	25853	945844	1056731

Long term insurance business : Analysis of expensesName of insurer **Phoenix Life & Pensions Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	(1770)	509	2	(1259)	7741
Commission - other	12	4839	349	101	5289	6512
Management - acquisition	13	5231	145		5376	4269
Management - maintenance	14	18669	8385	715	27769	29251
Management - other	15	3723	1241		4964	18110
Total	16	30692	10629	818	42139	65883
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	1	380		381	775
Commission - other	32	79	389		468	575
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	80	769		849	1350
Net of reinsurance						
Commission - acquisition	41	(1771)	129	2	(1640)	6966
Commission - other	42	4760	(40)	101	4821	5937
Management - acquisition	43	5231	145		5376	4269
Management - maintenance	44	18669	8385	715	27769	29251
Management - other	45	3723	1241		4964	18110
Total	46	30612	9860	818	41290	64533

Long term insurance business : Linked funds balance sheet

Name of insurer **Phoenix Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+13)	14		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18		
Directly held linked assets			
Value of directly held linked assets	21	5270	4643
Total			
Value of directly held linked assets and units held (18+21)	31	5270	4643
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	5270	4643

APPENDIX 9.4

PHOENIX LIFE & PENSIONS LIMITED

ABSTRACT OF VALUATION REPORT

1. Introduction

- (1) The valuation relates to 31st December 2005.
- (2) The previous valuation related to 31st December 2004.
- (3) There were no interim valuations.

2. Product Range

There have been no significant changes since the previous valuation date.

3. Discretionary charges and benefits

(1) Market value reduction (MVR) information

Unitised With Profit (UWP) Bond

MVRs have been applied throughout the year.

These policies were sold between June 1996 and September 2001 and all policy years of entry have been subject to MVRs.

Lifestyle Bond

MVRs have been applied throughout the year.

These policies were sold between February 2001 and December 2001 and have been subject to MVRs.

UK With Profit Bond (Pre 1997)

MVRs have been applied throughout the year.

These policies were sold between January 1992 and December 1996 and all policy years have been subject to MVRs.

Isle of Man With Profit Bond (Pre 1999)

MVRs have been applied throughout the year.

These policies were sold between December 1992 and December 1998. Policies sold between 1993 and 1998 have been subject to MVRs.

Living Pensions

The following products within the Living Pensions range have a UWP option:

- Living Pensions Personal Pension
- Living Pensions Personal Option Policy
- Living Pensions Top Up Pension

MVRs have been applied throughout the year.

These policies were sold between April 1996 and December 1996 although remained open to increments until April 2001. Policies sold between 1998 and 2001 have been subject to MVRs.

UWP Pensions

The following products within the UWP Pensions range have a UWP option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme
- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

MVRs have been applied throughout the year.

These policies were sold between January 1995 and April 2001 although remain open to increments. Policies sold between 1997 and 2001 have been subject to MVRs.

Pensions Solutions

The following products within the Pensions Solutions range have a UWP option:

- Individual Personal Pension Plan
- Group Personal Pension Plan
- Contracted-in Money Purchase Plan
- Executive Pension Plan
- Trustee Investment Plan

MVRs have been applied throughout the year.

These policies were sold between April 2001 and December 2002 although remain open to increments. Policies sold between 2001 and 2002 have been subject to MVRs.

(2) Changes to premiums on reviewable protection policies

There were no changes to premiums on reviewable protection policies since the previous valuation date.

(3) Non-profit deposit administration contracts (interest rate added)

There are no non-profit deposit administration policies.

(4) Changes to service charges on linked policies

PlusPlan

Contribution Type	Previous Monthly Policy Charge	New Monthly Policy Charge from 1 January 2005	Percentage Increase
New schemes pre-dating 1 July 1988 with annual premium less than £21,700	£18.50	£19.00	2.7%
New schemes post-30 June 1988 with annual premium less than £21,700	£45.00	£46.50	3.3%

There is no service charge if the annual premium exceeds £21,700.

Living Pensions Personal Pension and Top Up Pension

Contribution Type	Previous Monthly Policy Charge	New Monthly Policy Charge from 1 January 2005	Percentage Increase
In-force or paid-up	£2.51	£2.65	5.6%

Individual Personal Pension Plan & Personal Additional Pension Plan

Contribution Type	Previous Monthly Policy Charge	New Monthly Policy Charge from 1 January 2005	Percentage Increase
Paid-up policies and premium holidays	£1.62	£1.70	4.9%

Executive Pension Plan

Contribution Type	Previous Monthly Policy Charge	New Monthly Policy Charge from 1 January 2005	Percentage Increase
Premium paying Plans issued prior to 29 January 1996	£4.50	£4.70	4.4%
Premium paying Plans issued after 28 January 1996	£4.30	£4.50	4.7%
Paid-up policies and premium holidays	£1.62	£1.70	4.9%

Company Pension Scheme & Company Additional Pension Scheme

Contribution Type	Previous Monthly Policy Charge	New Monthly Policy Charge from 1 January 2005	Percentage Increase
Stand Alone, single premium policies issued:			
Prior to 16 October 1995	£4.50	£4.70	4.4%
16 October 1995 – 20 September 1998	£1.78	£1.86	4.5%
21 September 1998 to date	£3.25	£3.40	4.6%
Paid-up policies and premium holidays	£1.62	£1.70	4.9%

(5) Changes to benefit charges on linked policies

There were no changes to benefit charges on linked policies in 2005.

(6) Changes to unit management charges or notional charges to accumulating with profits policies

The following expenses, which are notionally charged to specimen policy asset shares when determining terminal bonus or market value reductions for accumulating with profits policies, have changed:

Annual maintenance expenses (net of policy fee where applicable), which changed from £22.58 to £26.86.

Charges apply to all accumulating with profits business, except Lifestyle Bond.

(7) Unit pricing of internal linked funds

Benefits in the internal linked funds are wholly reassured to Phoenix Life Limited and the unit pricing of the funds is described in the Returns of that company.

(8) Tax deductions from internal linked funds

Not applicable.

(9) Tax provisions for internal linked funds

Not applicable.

(10) Discounts on unit trust holdings

M & G Securities Limited - Authorised Unit Trust

The Company receives a 1% discount on the cost of purchasing units in excess of £1,000. Policyholders do not benefit from this discount. There is no discount to the Company on the sale of units. The company does not receive any rebate of the annual management charge on its holdings in the unit trust.

4. Valuation basis (other than for special reserves)

(1) The valuation methods used are as follows:

Gross Premium Method

Reserves for policies other than for those products included in the section “Accumulating With Profits Policies” or where the gross mathematical reserves and gross annual premium do not exceed the lesser of £10m or 1% of the total gross mathematical reserves have been established using a prospective gross premium method applied to each policy.

Accumulating With Profits Policies

Reserves for accumulating with profits policies on Form 52 have been calculated for each policy as the greater of:

- (i) the discounted value of:
 - (a) the guaranteed benefits at the maturity date or guarantee point allowing for future annual bonus rates in accordance with the table in paragraph 4 (7) (which is consistent with treating customers fairly); and
 - (b) assumed future expenses per paragraph 4 (6).
- (ii) the lower of:
 - (aa) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date, having regard to the representations of the company; and
 - (bb) the amount in (aa) disregarding all discretionary adjustments.

Calculation Notes

Policies carrying an extra premium have an additional reserve of 2.75 years' extra premium.

Where annuity benefits are payable to any spouse that may exist at the date of death of the annuitant, we assume that 90% are married with the female 3 years younger than the male life.

(2) Valuation interest rates

The valuation interest rates used are as follows:

	<u>Current Valuation</u>	<u>Previous Valuation</u>
Valuation Interest Rates – Life		
With Profit – Endowments	3.10%	3.30%
With Profit – Other	2.92%	3.15%
With Profit Bond	2.92%	3.15%
With Profit Deferred Annuity		
- Regular Premium	3.65%	3.95%
- Single Premium/ Paid-Up Initial Rate	4.00%	4.20%
- Single Premium/ Paid-Up Reinvestment Rate	3.65%	3.95%
Non Profit – Endowments	3.20%	3.50%
Non Profit – Other	2.80%	3.10%
Non Profit Deferred Annuity	3.65%	3.90%
Annuities in Payment (new GAF)	3.60%	4.00%
Annuities in Payment (old GAF)	4.10%	4.40%

	<u>Current Valuation</u>	<u>Previous Valuation</u>
Valuation Interest Rates – Pension		
With Profit Deferred Annuity		
- Regular	3.65%	3.95%
- Single Premium/ Paid-Up Initial Rate	4.00%	4.20%
- Single Premium/ Paid-Up Reinvestment Rate	3.65%	3.95%
Profit Plus Fund - accumulating units	3.65%	3.95%
- initial units	3.40%	3.70%
With Profit Group Endowments	3.65%	3.95%
Other Assurances	3.65%	3.90%
Annuities in Payment	4.10%	4.40%
Non Profit Assurances	3.65%	3.95%
Non Profit Deferred Annuities	3.65%	3.90%
RPI Linked Deferred Annuities	0.80%	1.20%
RPI Linked Annuities in Payment	0.80%	1.20%

(3) Adjustment for risk

The yield on assets other than equity shares and land was reduced for risk as follows:

Fixed Interest

Approved Securities	No reduction
Other Securities	A deduction from the yield dependent on the credit rating of the security per the table below:

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.65%
BB	2.53%
B	7.22%
CCC	Yield assumed to be nil

i.e. amended yield is $y - d$ where y is the unadjusted yield

Variable Yield

Approved Securities	No adjustment
Loans secured by Mortgages	Reduction of 1.0% (r) of the yield
All other assets producing income	Reduction of 0.5% (r) of the yield

i.e. amended yield is $y * (1 - r)$ where y is the unadjusted yield.

The yield on equity shares and land was reduced by 2.5% of that yield. Furthermore, the yields on any individual properties in excess of 8% p.a. were restricted to 8% p.a.

(4) Mortality bases used

The mortality bases used for the valuation were:

Product	Current Year		Previous Year	
	Male	Female	Male	Female
Endowment and Whole of Life Assurances	77% (AM92)	80% (AF92)	60% (AM80)	79% (AF80)
Term Assurances				
- Aggregate	89.3%	89%	84%	89%
- Smoker	142%	142%	142%	142%
- Non-smoker	78.8% (TM92)	74% (TF92)	68% (TM92)	74% (TF92)
Pensions pre-vesting and pension term assurances	54.3% (AM92)	61% (AF92)	37% (AM80)	49% (AF80)
Life annuities currently in payment	Modified IM80 (c=2010)	Modified IF80 (c=2010)	Modified IM80 (c=2010)	Modified IF80 (c=2010)
Pensions deferred annuities post-vesting	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)
Pensions immediate annuities	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)

Life annuities currently in payment

The mortality basis for the current (previous) year is:

Males: 83.7% (85.0%) of IM80 (c=2010) improving at 1.50% (1.50%) p.a.

Females: 83.9% (85.0%) of IF80 (c=2010) improving at 1.50% (1.50%) p.a.

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	21.09	24.07	20.94	23.95
75	13.14	15.15	13.02	15.05

Pension annuities currently in payment

Specimen percentages of the base tables used for the current year valuation are:

	Male	Female
At age 65	158.5%	116.6%
At age 75	85.8%	94.1%
At age 85	79.4%	95.8%
At age 95	79.9%	96.9%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2006	2016	2026	2036	2046	2056
65	3.57%	2.43%	1.70%	1.50%	1.50%	1.50%
75	3.28%	2.89%	2.29%	1.70%	1.50%	1.50%
85	1.94%	2.14%	2.32%	1.97%	1.68%	1.50%
95	1.05%	1.16%	1.37%	1.56%	1.67%	1.50%

Females	2006	2016	2026	2036	2046	2056
65	2.86%	2.02%	1.48%	1.30%	1.30%	1.30%
75	2.54%	2.31%	1.91%	1.48%	1.30%	1.30%
85	1.28%	1.67%	1.84%	1.67%	1.46%	1.30%
95	0.75%	0.89%	1.13%	1.24%	1.42%	1.30%

The basis as at the previous valuation date was:

Where the PMA92 (c = 2020) table has been used it is assumed that the mortality will be 90.91% of the table multiplied by a further factor of 61.33% up to age 70, 61.33% at age 75, 82.04% at age 80, 87.34% age 85, 94.52% at age 90 and 94.52% at age 95 and above.

Where the PFA92 (c = 2020) table has been used it is assumed that the mortality will be 90.91% of the table multiplied by a further factor of 54.44% up to age 70, 62.34% at age 75, 91.15% at age 80, 91.15% at age 85, 97.64% at age 90 and 97.64% at age 95 and above.

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	23.97	25.48	22.33	24.97
75	14.62	15.87	13.62	15.96

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

Sample percentages of the base tables used for the current year valuation are:

	Male	Female
Up to age 55	701.1%	482.1%
At age 65	166.1%	122.2%
At age 75	89.9%	98.6%
At age 85	83.1%	100.4%
At age 95	83.7%	101.5%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2006	2016	2026	2036	2046	2056
55	2.55%	1.70%	1.50%	1.50%	1.50%	1.50%
65	3.57%	2.43%	1.70%	1.50%	1.50%	1.50%
75	3.28%	2.89%	2.29%	1.70%	1.50%	1.50%
85	1.94%	2.14%	2.32%	1.97%	1.68%	1.50%
95	1.05%	1.16%	1.37%	1.56%	1.67%	1.50%

Females	2006	2016	2026	2036	2046	2056
55	2.12%	1.48%	1.30%	1.30%	1.30%	1.30%
65	2.86%	2.02%	1.48%	1.30%	1.30%	1.30%
75	2.54%	2.31%	1.91%	1.48%	1.30%	1.30%
85	1.28%	1.67%	1.84%	1.67%	1.46%	1.30%
95	0.75%	0.89%	1.13%	1.24%	1.42%	1.30%

The mortality basis as at the previous valuation date for pension contracts post vesting (including Guaranteed Annuity Options) was:

Males: 67% of PMA80 (c=2010) improving at 1.50% p.a.

Females: 82% of PFA80 (c=2010) improving at 1.50% p.a.

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions for are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
45	27.46	28.14	25.87	28.36
55	25.68	26.68	24.18	26.66

(5) Morbidity bases used

Not applicable

(6) Expense bases

For policies valued using a gross premium valuation, allowance has been made for renewal commission as paid and annual renewal expenses in accordance with the expense table below.

For accumulating with profits pensions policies calculated in accordance with 4(1), an allowance for expenses in accordance with the expense table below. Renewal commission is assumed to be payable from the margins within future premium allocations.

For with profit bonds the value of future policy fees have been compared with the value of future renewal expenses in accordance with the expense table below.

Expense Table	<u>Current</u> <u>Valuation</u>	<u>Previous</u> <u>Valuation</u>
Annuities in Payment and certain deferred annuities	£13.60	£11.56
All Other Policies	£28.94	£24.57
Expense Inflation Rate	6.8% p.a.	6.4% p.a.

In respect of unit-linked business written by the Company and reassured within the Phoenix Life Group, the expense basis is fully described in the Returns of Phoenix Life Limited.

(7) Future bonus rates

Conventional with-profits business

For conventional with-profits business there is no allowance for future bonuses.

Accumulating with-profits business

The assumed annual bonus rates are:

PRODUCT	2006	2007+
UWP Bond (pre August 2000)	0.08%	0.00% p.a.
UWP Bond (post August 2000)	0.17%	0.00% p.a.
Lifestyle Bond	0.17%	0.00% p.a.
Profit Plus Fund	0.00%	0.00% p.a.
UWP Pensions	0.17%	0.00% p.a.

and for the UK With Profits Bonds (pre 1997) the rates are:

TRANCHE	2006	2007	2008+
1	3.75%	2.00%	0.00% p.a.
2a	1.50%	0.00%	0.00% p.a.
2b	1.50%	0.00%	0.00% p.a.
3a	2.00%	0.00%	0.00% p.a.
3b	2.00%	0.00%	0.00% p.a.
4	3.00%	1.50%	0.00% p.a.
5	1.00%	0.00%	0.00% p.a.
6	1.50%	0.00%	0.00% p.a.
6a	3.00%	1.50%	0.00% p.a.
7	1.50%	0.00%	0.00% p.a.
8	2.00%	0.00%	0.00% p.a.
8a	3.75%	2.00%	0.00% p.a.
8b	1.50%	0.00%	0.00% p.a.
9	1.75%	1.00%	0.00% p.a.
10	0.50%	0.00%	0.00% p.a.

(8) Other material basis assumptions

No allowance is made for voluntary premium discontinuances.

(9) Allowance for derivative contracts

The Company holds a number of swaps in connection with its fixed interest assets. The effect of the swaps has been taken into account by adding the value of the fixed interest assets to the value of the swaps and adjusting the yield on the fixed interest assets to take account of the effect of the swaps. The effect of the swaps has been determined by assuming that the future yields are in accordance with the yields implied by the forward swap curve.

A provision has been established equal to the time value of the swaptions, which are held in connection with guaranteed annuity options.

5. Options and guarantees

(1) Guaranteed annuity rate options

(a) An additional reserve is calculated, where the value of the annuity is greater than the cash sum, using the assumptions set out in section 4 and, additionally, assuming:

- All policyholders will exercise the option.
- The percentage of the cash sum which will be used to purchase the annuity on guaranteed terms will be:

30% for Convent Scheme contracts

95% for Retirement Plans and Personal Retirement Policies (post 1978)

- The expenses of payment are 1.8% of the value of the annuity.

For Personal Retirement Policies issued between 1971 and 1978, where the policy only provides for a proportion of the benefit to be taken on guaranteed terms, the assumed proportion is in accordance with the policy conditions.

The liability is then increased, if necessary, so that it is not less than the economic value of the options determined from swaption prices assuming the same demographic assumptions. At the valuation date no increase was required.

(b)

(i) Product Name	(ii) Basic Reserve (£000)	(iii) Spread of outstanding durations	(iv) Guarantee Reserve (£000)	(v) Guaranteed Annuity Rate (Male at 65)	(vi) Increments	(vii) Form of annuity	(viii) Retirement Ages
Personal Retirement Policy (Pre 1978)	38,441	0 to 28 years	18,483	10.74%	No	Level – Single Life Twice annually in arrears No guarantee period	Ages 60 to 75
Personal Retirement Policy (Post 1978)	227,829	0 to 42 years	118,098	9.00%	No	Level – Single Life Annually in arrears No guarantee period	Ages 60 to 75
Personal Retirement Plan (Post 1988)	82,778	0 to 48 years	42,011	9.00%	No	Level – Single Life Annually in arrears No guarantee period	Ages 50 (*) to 75
Personal Retirement Plan (Eire)	21,634	0 to 35 years	12,435	9.25%	No	Level – Single Life Monthly in advance Five year guarantee period	Ages 50 to 75
Retirement Plan	253,425	0 to 36 years	171,988	11.11%	No	Level – Single Life Monthly in advance Five year guarantee period	Ages 50 (*) to 75
Convent Schemes	16,210	0 to 26 years	3,817	10.04%	Yes (**)	Level – Single Life Monthly in advance No guarantee period	Ages 60 to 70
Philips Scheme	9,672	0 to 35 years	5,990	10.00%	Yes (**)	Level – Single Life Monthly in advance Five year guarantee period	Ages 60 to 65

(*) From age 55 for retirements from 2010.

(**) There is no GAR for increments.

2) Guaranteed surrender and unit-linked maturity values

Uniflex

- (a) For Uniflex policies (endowment-type policies maturing at age 65, included in Endowment assurance in Form 51) the basis for calculating surrender values on the 10th or any subsequent anniversary of the commencement of the policy is guaranteed.

The guaranteed surrender value available at the 10th or any subsequent policy anniversary is

$$[\text{Basic Sum Assured} + \text{Reversionary Bonus}] \times t / n$$

where t = duration at the policy anniversary (in years)
 n = original policy term (in years)

- (b)

(i) Product Name	Uniflex Endowment Assurances
(ii) Basic Reserve	£27.5m
(iii) Spread of outstanding durations	0-33 years
(iv) Guarantee Reserve	£3.2m
(v) Guaranteed Amount	£30.6m
(vi) MVR Free conditions	MVR's do not apply
(vii) In Force Premiums	£0.7m
(viii) Increments	No

UWP Bond

- (a) MVRs are not applicable on encashment or partial surrender on the 10th policy anniversary for UWP Bonds commencing between September 1997 and July 2000. There is a "money back" guarantee on full surrender on the 10th policy anniversary for bonds commencing from August 2000 onwards.

The policy reserve is not less than the value of the benefits at the 10th policy anniversary calculated on the assumptions in Paragraph 4.

- (b)

(i) Product Name	UWP Bond Version 2	UWP Bond Version 3
(ii) Basic Reserve	£255.7m	£573.3m
(iii) Spread of outstanding durations	1 – 3 years for guarantee	3 – 5 years for guarantee
(iv) Guarantee Reserve	£16.2m	£66.0m
(v) Guaranteed Amount	£286.5m	£700.6m
(vi) MVR Free conditions	MVR's are not applicable on full or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits	MVR's are not applicable on full or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	No	No

(i) Product Name	UWP Bond Version 4	Lifestyle Bond
(ii) Basic Reserve	£221.8m	£238.4m
(iii) Spread of outstanding durations	5 – 7 years for guarantee	6 – 7 years for guarantee
(iv) Guarantee Reserve	£0.0m	£0.0m
(v) Guaranteed Amount	£263.0m	£238.4m

(vi) MVR Free conditions	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount
	invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits	invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	Yes	Yes

Personal Retirement Policy / Personal Retirement Plan

- (a) Policyholders may elect to retire at ages other than the retirement age selected at outset, on a guaranteed cash option basis, which varies with the actual retirement age. The ages that can be selected depends on the product.

(b)

(i) Product Name	Personal Retirement Policy (Pre 1978)	Personal Retirement Policy (Post 1978)	Personal Retirement Plan (Post 1988)
(ii) Basic Reserve (*)	£56.9m	£345.9m	£124.8m
(ii) Spread of Outstanding durations	0 – 28 years	0 – 42 years	0 – 48 years
(iv) Guarantee Reserve (**)	£0.0m	£0.0m	£0.0m
(v) Guaranteed Amount	N/A	N/A	N/A
(vi) MVR Free conditions	N/A	N/A	N/A
(vii) In Force Premiums	£0.2m	£2.7m	£1.7m
(viii) Increments	No	No	No

(*) The basic reserve above includes the Guaranteed Annuity Reserve.

(**) The reserves established exceed the value of the liabilities if an alternative retirement date is selected.

UWP Pensions

The following products within the UWP Pensions range have a UWP option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme
- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

- (a) Provided certain conditions apply, the policyholder can elect to take early retirement before the selected retirement age without penalty

(b)

(i) Product Name	UWP Pensions
(ii) Basic Reserve	£114.3m
(iii) Spread of Outstanding durations	0 – 44 years
(iv) Guarantee Reserve	£0.4m
(v) Guaranteed Amount	£113.8m
(vi) MVR Free conditions	MVR's do not apply on retirement within 3 years of the selected retirement date, provided there has been a regular investment in the UWP Fund for at least 5 years, on death and ill health early retirement
(vii) In Force Premiums	£3.6m
(viii) Increments	Yes – existing policies and new members to existing plans in the case of group schemes

Guaranteed Unit-Linked Maturity Values

In respect of business retained by the Company there are no guaranteed unit-linked maturity values.

In respect of unit-linked business written by the Company and reassured within the Phoenix Life Group, guarantees are fully described in the Returns of Phoenix Life Limited.

(3) Guaranteed insurability options

Various endowments purchased in connection with a mortgage include options to effect additional cover in certain circumstances without requiring additional evidence of health. Take-up of this option has been extremely low and no additional reserve is held.

Some of the term assurance policies include options to convert to other policies without requiring further evidence of health. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Nature of other guarantees and options

None

6. Expense reserves

(1) Aggregate expense contributions during the next 12 months

The aggregate amount of expense contributions arising during the 12 months following the valuation date from explicit and implicit margins in the valuation basis are:

	£m
Per Policy Expenses	16.9
Investment Expenses	8.3
Other Expenses	12.7
Total	37.9

(2) Basis of calculating implicit allowances

The difference between the risk-adjusted yield on the assets and the valuation rate of interest includes an allowance for future investment management expenses.

(3) Comparison with Form 43

Of the aggregate amount in 6(1), £25.1m would be reported on line 14 of Form 43 and this amount is not significantly different from the amount reported on that line in this Return. The balance of the aggregate amount in 6(1) would be reported on lines 13 and 15 of Form 43.

(4) New business overrun reserve

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance expense overrun reserve

Expense reserves in accordance with 6(1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the standard fees payable under a management services agreement plus a prudent allowance for costs that are not covered by these fees.

An allowance has been made for redundancy costs. No costs of terminating the management services agreement have been allowed for because the contract is not cancellable by the services provider.

7. Mismatching reserves

(1) Analysis of reserves by currency

The mathematical reserves (other than liabilities for property linked benefits) after distribution of surplus comprise:

Currency	Reserves	Percentage matched in same currency
Sterling	£6,516m	100%
Other	£116m	100%

(2) Other currencies grouped together

See table in paragraph 7 (1).

(3) Currency mismatching reserve

The liabilities in currencies other than sterling are matched by assets in the same currency. The currency mismatching reserve is therefore nil.

(4) Most onerous mismatching scenario in UK

The most onerous scenario under PRU 4.2.16R is a combination of:

- (i) a fall in the value of equities of 10%. Earnings for equities fall by 10% but dividends remain unaltered;
- (ii) a fall in real estate values of 20%. Rack rents fall by 10% (and any rental income for property due for review to rack levels during 2006 is assumed to reduce to the lower rack rent);
- (iii) a rise in yields on all fixed interest securities by a percentage point movement of 0.82%;
- (iv) a rise in real yields on index linked securities of 20%; and
- (v) a rise in the rate of future expense inflation to 7.4% p.a.

(5) Most onerous scenario outside UK

There are no significant territories outside the United Kingdom.

(6) Result of the most onerous scenario

- (a) The resilience capital requirement is nil.
- (b) The change in the aggregate amount of the long-term insurance liabilities is a fall of £522m.
- (c) The aggregate amount by which the assets allocated to match liabilities in the most onerous scenario falls is £417m from the amount of these assets shown in Form 13.

(7) Statement of any further reserves arising from test on assets

No further reserve is required for mismatching as investments are closely matched to the liabilities.

8. Other special reserves

Details of other special reserves

Endowment Compensation Reserve

Some policyholders may have been given non-compliant advice to take out an endowment policy to repay a mortgage.

An amount to cover the cost of providing compensation to them has been assessed from the number of complaints expected to be received, the proportion anticipated to be valid and the expected amount of compensation per case payable, account being taken of the FSA guidelines on determination of compensation. Provision has also been made for the cost of handling complaints received. This amount has been included within the reserves for Endowment Assurances.

The amount of this reserve is £96m.

Additional Guaranteed Annuity Option Reserve

Additional reserves are held in respect of expected additional payments on with profits pensions claims in 1999, 2000, 2001 and 2002. Terminal bonus on the claim amounts had been calculated by deducting an amount for the expected cost of providing the guaranteed annuity option on those claims. Subsequent legal advice has indicated that this was not in accordance with the House of Lords judgement in Hyman v Equitable Life Assurance Society.

The amount of this reserve is £37m.

Additional Reserves

Further additional reserves, exceeding the lesser of £10m and 0.1% of total mathematical reserves, include

- data contingency reserves of £20m for additional expenses which may arise in connection with data errors affecting the long-term business.
- reserves of £18m for future litigation settlements and other similar costs.

9. Reinsurance

(1) Facultative Reinsurance

All facultative insurance business is transacted with a reinsurer who is permitted to carry on business in the United Kingdom.

(2) Treaty Reinsurance

The table below details answers for each reinsurance treaty where the Company was the ceding insurer and under which business is in-force at the valuation date.

- (g) Not applicable since there are no deposit back arrangements under any of the treaties.
- (i) There are no undischarged obligations.
- (k) New business only arises from incremental policies or the exercising of options under existing contracts. Where such business is unit-linked then all of the business is reinsured and the Company's retention is nil.
- (n) No provision has been established for credit risk for any reassurances with other companies in the Resolution group.

The company has provided £4.627m in respect of credit and legal risk under its other reinsurance treaties.

- (o) No provision has been made under any of the treaties for any liability of the company to refund any amount of reinsurance commission in the event of the lapse or surrender of the contracts. Where such a liability exists, then the refund of commission will be more than offset by the return of the premium from the reinsurer.
- (p) See 9(3) below.

(3) Financing Arrangements

There is a financing arrangement in place to provide support to the long-term fund. The details of the arrangement are described fully in note 15.08.

For the purposes of the regulatory valuation, no provision has been made for the contingent repayment of the £37.672m from the long-term fund to the shareholder

(d)	(e)			(f)	(h)	(j)	(l)	(m)
<u>Name of Reinsurer</u>	<u>Type of Business</u>	<u>Type of Reinsurance</u>	<u>Extent of Cover</u>	<u>Premiums</u> £	<u>Open to New business</u>	<u>Reserve Ceded</u> £	<u>Authorised In UK</u>	<u>Connected To Company</u>
Munich Re	Certain Term Assurances	Original Terms	100% of benefit	29,610,837	No	119,097,528	Yes	No
Prudential Pensions Limited	Certain Immediate Annuity Business	Original Terms	100% of all benefits	1,494,282,000 (*)	No	1,484,387,244	Yes	No
Phoenix Life Limited	Linked Pension Policies	Original Terms	100% of linked benefits	10,864,308	Yes	893,338,583	Yes	Yes
Phoenix Life Limited	Living Pensions	Original Terms	100% of linked benefits	698,717	Yes	14,263,558	Yes	Yes
Phoenix Life Limited	Linked Pension Policies (reassurance Accepted)	Original Terms	100% of linked benefits	20,793,763	Yes	369,576,490	Yes	Yes
Phoenix Life Limited	Lifestyle Bond	Original Terms	100% of linked benefits	26,000	Yes	59,390,406	Yes	Yes
Phoenix Life Limited	Pensions Solutions Range	Original Terms	100% of linked benefits	8,949,675	Yes	118,920,221	Yes	Yes

(*) A large number of immediate and reversionary annuities were reinsured to Prudential Pensions Limited in the year. A premium of £1.494bn was paid.

10. Reversionary (or annual) bonus

- (1) For policies entitled to participate, reversionary bonuses (except when otherwise specified) were allotted at the following rates. Interim bonuses are allocated at the same rates.

(i) Traditional With Profits Policies

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	Reversionary and Interim Bonus Rates	
		(c) Current Year (*) %	(d) Preceding Year (*) %
UK Life	2,068,017	0.25 / 0.25	0.25 / 0.25
Uniflex Endowment Assurances	30,688	0.20 / 0.20	0.20 / 0.20
Convent Schemes	20,027	0.20 / 0.20	0.20 / 0.20
Eire Life	23,055	0.25 / 0.20	0.25 / 0.20
UK Pensions	926,879	0.20 / 0.20	0.20 / 0.20
Eire Pensions	44,746	0.20 / 0.20	0.20 / 0.20

(*) The first rate applies to the sum assured and the second rate to the attaching bonus.

(ii) Accumulating With Profits Policies (except With Profit Bonds)

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	(c) Reversionary Bonus Current Year (%)	(d) Reversionary Bonus Preceding Year (%)
UWP Pensions	114,499	1.00	1.00
Profit Plus Fund	434,294	0.10	0.10
PlusPlan	182,355	0.10	0.10

(iii) UK With Profits Bond (pre 1997)

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	(c) Bonus Rate Current Year (%)	(d) Bonus Rate Preceding Year (%)	(e) Guaranteed Bonus Rate for 2006 (%)
1	7,654	3.75	5.00	2.00
2a	5,723	2.50	2.25	1.50
2b	825	2.50	2.25	1.50
3a	23,242	3.25	2.25	2.00
3b	1,323	3.00	2.25	2.00
4	18,827	3.00	2.25	1.50
5	7,011	1.75	1.00	1.00
6	2,979	2.25	0.75	1.50
6a	5,570	3.00	2.25	1.50
7	2,285	3.00	2.25	1.50
8	7,710	3.75	2.75	2.00
8a	8,297	3.75	3.50	2.00

8b	3,321	2.25	1.50	1.50
9	22,116	1.75	2.00	1.00
10	51,650	0.75	1.50	0.50
TOTAL	168,534			

(iv) UWP Bonds

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	(c) Bonus Rate Current Year (%)	(d) Bonus Rate Preceding Year (%)
2	270,494	0.50	0.50
3	632,757	0.50	0.50
4	219,689	1.00	1.00
Lifestyle	235,784	1.00	1.00
TOTAL	1,358,724		

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price.

Within a bonus series, bonus rates do not vary.

APPENDIX 9.4A

PHOENIX LIFE & PENSIONS LIMITED

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) This valuation relates to 31st December 2005.
- (2) The previous valuation date was 31st December 2004.
- (3) There were no published interim valuations.

2. Assets

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

Item	This Valuation (%)	Previous Valuation (%)
Gross Investment Return	See below	4.66
RPI Inflation	3.00	2.60
Risk Discount Rate	See below	7.20

The value of future profits on non-profit products was calculated by assuming risk free rates of investment return and discount rates. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment expenses.

Discount rates used were spot yields taken from the curve, net of tax and investment expenses.

The gilt yield curve plus 10 basis points at the valuation date was as follows:

Term (years)	Market + 10 bp (%)
1	4.40
2	4.31
3	4.30
4	4.30
5	4.29
6	4.28
7	4.26
8	4.25
9	4.24
10	4.24
12	4.22
15	4.20
20	4.14
25	4.08

- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

3. With-Profits Benefits Reserve Liabilities

(1)

Product Type	Method	With-profits Benefit Reserve (£ M)	Future Policy Related Liabilities (£ M)
With-profits – Whole Life	Prospective	145	6
With-profits – Other Life	Retrospective	2,834	119
With-profits – Pensions (Regular and Single Premium)	Retrospective	496	183
With-profits – Pensions (Paid-Up)	Prospective	367	135
UWP Life (including Whole Life With-Profits Bond)	Retrospective	1,487	102
UWP Pensions	Retrospective	766	35
Other		37	
TOTAL		6,132	580

(2) Not applicable.

(3) The amount categorised as “Other” above falls within the de minimis limit.

4. With-Profits Benefits Reserve – Retrospective Method

(1) (a), (b)

Product Type	Proportion Calculated using Individual Data (a)	Proportion Calculated using Grouped Data (b)
With-profits – Life (excluding whole life)	100%	0%
With-profits – Pensions (excluding paid-up policies)	100%	0%
UWP Life (including Whole Life With-Profits Bond)	100%	0%
UWP Pensions	100%	0%

(c) (i) Whilst the asset shares have been calculated using individual data in all cases, the method used for unitised with-profits (including Whole Life With-Profits Bond) has been the application, to the individual data, of a factor (the ratio of asset share to face value of units) which has been calculated by reference to grouped / sample data. This is consistent with the way the business is operated in practice.

(2) (a) There are no significant changes.

(b) Not applicable.

(3) (a) The previous expense investigation was carried out in the fourth quarter of 2005.

(b) Expense investigations are carried out twice annually.

(c)

(i) Initial Expenses	£Nil ¹
(ii) Maintenance Expenses	£12.4m
(iii) Method	average expense charge deducted
(iv) Expenses charged other than to with-profits benefits reserve	Not applicable

¹ Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

Investment expenses are allowed for by deducting the fees payable to the company's investment manager for managing the assets from the investment return credited to asset shares.

- (4) The charges deducted from the with-profits benefit reserve in the year to the valuation date and the preceding year were (£m):

	Current year	Previous year
Charges for guarantees and smoothing	22.0	20.4
Net losses on non-profit business	99.8	16.1
Proportion of up-front outsourcing costs attributable to the period	4.4	4.4
Write-off of initial spreads on derivative contracts	4.6	4.6

- (5) Not applicable.

- (6) Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with profits benefits reserve, for the following specimen products and terms:

	Endowment Policies	Regular Premium Personal Retirement Plan	Single Premium Personal Retirement Plan	Regular Premium Retirement Plan	Single Premium Retirement Plan
1/1/2003 to 30/4/2003					
10 year term	106	101	104	112	107
15 year term	101	101	101	103	101
20 year term	101	107	104	105	111
25 year term	104	109	102	112	109
1/5/2003 to 31/8/2003					
10 year term	106	103	113	115	115
15 year term	102	103	116	108	107
20 year term	103	111	110	111	119
25 year term	108	120	107	118	116
1/9/2003 to 31/12/2003					
10 year term	105	100	106	99	109
15 year term	99	99	105	99	99
20 year term	98	98	99	99	105
25 year term	98	98	98	103	98
1/1/2004 to 17/8/2004					
10 year term	102	99	99	101	104
15 year term	99	99	100	99	99
20 year term	99	99	99	99	101
25 year term	99	99	98	100	99
18/8/2004 to 31/12/2004					
10 year term	101	100	96	100	99
15 year term	100	100	103	100	103
20 year term	100	100	100	100	100
25 year term	100	100	100	100	100

	Endowment Policies	Regular Premium Personal Retirement Plan	Single Premium Personal Retirement Plan	Regular Premium Retirement Plan	Single Premium Retirement Plan
1/1/2005 to 30/4/2005					
10 year term	103	100	101	109	104
15 year term	100	108	101	105	106
20 year term	102	105	104	107	111
25 year term	104	106	102	100	104
1/5/2005 to 31/8/2005					
10 year term	102	100	100	108	104
15 year term	100	102	100	100	100
20 year term	100	100	100	102	107
25 year term	100	102	100	100	103
1/9/2005 to 31/12/2005					
10 year term	102	100	103	106	108
15 year term	100	100	100	100	99
20 year term	100	100	100	100	103
25 year term	100	100	102	100	103

Payouts on surrenders will generally have been based on a significantly lower percentage of the with profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with profits benefits reserve. Payouts on surrenders of unitised with profits bonds have been set to the following percentages of the with profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with profits benefits reserve but not less any exit charge:

Year	
2003	98.7% to 100.0%
2004	99.0% to 100.0%
2005	100.0%

- (7) The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix depends on the outstanding term and the level of guarantees under the policy (see PPFM for more details).

The average rates of investment return (before tax) added are:

Product Type	Investment Return (%)
Conventional Life	11.4
Conventional Pensions	12.0
UWP Bonds	6.8
UWP Pensions	14.0
Profit Plus Fund	15.2

5. With-Profits Benefits Reserve – Prospective Method

- (1) A prospective method has been used for with-profits whole life business and for paid-up with-profits pensions business.

Bonus rates on with-profits whole life business and paid-up pensions contracts are the same as the bonus rates on endowments and regular premium pension contracts respectively for the same term. A bonus reserve valuation is used to determine the with-profits benefits reserve, where:

- the bonus rates are the supportable bonus rates determined from the relevant product, and
- the economic assumptions are consistent with the supportable bonus rates

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

- (a) The discount rate is 5.15%, the same as the investment return assumption. These rates are consistent with the assumed supportable bonus rates.
- (b) The investment return is 5.15%.
- (c) Expense inflation is 6.80%, which is the rate that underlies the supportable bonus rates for this product.
- (d) Future reversionary bonuses are assumed to be 0.25% per annum on both the basic sum assured and accrued bonuses.

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

Sample terminal bonus rates are as follows:

Elapsed Term in Years	Year of Payment											
	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051	2056	
0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10	2.6%	21.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	2.2%	16.7%	41.8%	33.8%	33.8%	33.8%	33.8%	33.8%	33.8%	33.8%	33.8%	33.8%
20	19.8%	20.7%	36.5%	77.2%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
25	33.6%	40.2%	41.4%	58.7%	108.1%	104.0%	104.0%	104.0%	104.0%	104.0%	104.0%	104.0%
30	74.2%	60.4%	68.7%	66.8%	87.7%	140.4%	135.7%	135.7%	135.7%	135.7%	135.7%	135.7%
35	136.6%	101.6%	93.3%	83.9%	0.0%	107.3%	113.7%	69.1%	69.1%	69.1%	69.1%	69.1%
40	198.2%	180.0%	129.8%	155.7%	127.3%	0.0%	189.3%	222.0%	215.9%	215.9%	215.9%	215.9%

- (e) The assumed per policy maintenance expense for with-profits whole life business is £28.50 for 2006, which is the rate that underlies the supportable bonus rates for this product.
- (f) There are no lapses.

Paid-Up With-Profits Pensions Business

- (a) The discount rate is 5.63%, the same as the investment return assumption. These rates are consistent with the assumed supportable bonus rates.
- (b) The investment return is 5.63%.
- (c) Expense inflation is 6.80%, which is the rate that underlies the supportable bonus rates for this product.
- (d) Future reversionary bonuses are assumed to be 0.2% per annum.

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

Sample terminal bonus rates are as follows:

Personal Retirement Plan

Elapsed Term in Years	Year of Payment							
	2006	2011	2016	2021	2026	2031	2036	2041
5	22.00%	22.20%	22.20%	22.20%	22.20%	22.20%	22.20%	22.20%
10	10.40%	19.40%	16.40%	16.40%	16.40%	16.40%	16.40%	16.40%
15	24.80%	23.70%	36.90%	34.00%	34.00%	34.00%	34.00%	34.00%
20	23.40%	35.90%	32.80%	46.40%	42.90%	42.90%	42.90%	42.90%
25	42.40%	37.10%	50.50%	49.30%	55.00%	49.40%	49.40%	49.40%
30	125.90%	61.60%	52.70%	70.10%	73.70%	81.10%	75.40%	75.40%
35		81.80%	82.90%	63.90%	96.50%	94.00%	96.60%	85.90%
40			148.30%	104.00%	76.80%	133.30%	147.20%	155.10%

Retirement Plan

Elapsed Term in Years	Year of Payment							
	2006	2011	2016	2021	2026	2031	2036	2041
5	7.00%	12.30%	12.30%	12.30%	12.30%	12.30%	12.30%	12.30%
10	0.00%	19.40%	17.90%	17.90%	17.90%	17.90%	17.90%	17.90%
15	8.70%	5.90%	21.00%	18.90%	18.90%	18.90%	18.90%	18.90%
20	25.10%	17.50%	18.30%	21.40%	20.20%	20.20%	20.20%	20.20%
25	57.00%	27.10%	31.50%	26.10%	36.40%	32.70%	32.70%	32.70%
30	110.00%	77.50%	44.70%	44.80%	41.70%	52.10%	46.40%	46.40%
35		118.30%	94.70%	50.00%	63.70%	63.40%	76.90%	69.00%
40			124.40%	120.50%	79.10%	99.70%	100.50%	115.50%

(e) The assumed per policy maintenance expense for with-profits paid up pensions business is £28.50 for 2006, which is the rate that underlies the supportable bonus rates for this product.

(f) There are no lapses.

(2) Not applicable.

6. Cost of guarantees, options and smoothing

(1) Not applicable.

(2)

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	Deterministic calculation	All business	466,403	5,503

(a) Cost of Guarantees & Options

The costs of guarantees are determined using a stochastic model, with the asset returns being generated by a proprietary model. The following items were calculated stochastically:

- Guaranteed annuity option reserves.
- The reserves required in addition to asset share to meet guaranteed benefits.
- Future retentions at maturity where payouts of less than 100% of asset share are being targeted (this applies to the Risk Capital Margin only.)
- Future profits and losses where amounts payable upon surrender are less or more than asset share.
- The value of future guarantee charges deducted from asset share.

The calculations were carried out using a risk neutral approach.

Early Retirements

For Personal Retirement Policies the stochastic model does not allow for lapses in the period from the earliest possible retirement age up to NRD. Such contracts allow benefits to be taken, with a guaranteed annuity rate ("GAR") at any age after 50 (60 for some earlier series). The use of a nil lapse rate after age 50 is considered to make suitable allowance for this early retirement option. For Retirement Plans a GAR is not available on early retirements.

Our calculations allow for the assumed expenses of paying the annuity.

We assume that policyholders elect to take a proportion of their benefits as cash where permitted.

Cost of Smoothing

The small amount of smoothing cost was determined deterministically as the excess of the projected actual payouts over the projected target payouts.

For pensions policies the smoothing cost allows for any GARs that will be provided on the overpayment.

We compare actual payouts at the valuation date with target payouts.

Where there is currently an overpayment relative to the target we assume that payouts will be cut at 4 monthly intervals, the first cut being 4 months after the valuation date. We assume that payouts can be cut by up to 5% at any one change and 15% over 12 months until the target is reached. Projected maturity payouts are obtained for this calculation.

- (b) (i) None
- (ii) All of the contracts are valued on a grouped basis.
- (iii) For each product type we initially create separate model points for each combination of year of commencement and year of maturity. For unitised with profits bonds we split by commencement month.

This grouping allows for the asset mix associated with each cohort of business. It is aligned with the way in which we declare bonus rates on our business (our actual terminal bonus rate calculation are based on specimen policies split out in the same way i.e. product type, year of commencement and year of maturity although at quinquennial rather than annual intervals with monthly cohorts for UWP bonds).

The initial model point files outlined above are then more heavily grouped to improve the run times in the stochastic model by amalgamating some of the smaller model points that were not making a significant contribution to the overall results. In order to test that this heavier grouping did not materially affect the results 3000 simulations were run at both levels of grouping and the results differed by less than 1.0% for the GAR & non GAR reserves.

- (c) One class of group unitised with profits pensions business representing approximately 3% of with profit liabilities is modelled as if it was an equivalent amount of similar individual pensions business.

Guaranteed annuity option liabilities were calculated assuming that all lives are male. This approach is conservative given the mortality tables used in the valuation and the nature of the guarantees given.

(3) None

- (4) (a) (i)** The guarantees and options being valued using a full stochastic approach are described in 6(2)(a) above. The following tables give an indication of the extent to which the guarantees are in or out of the money at the valuation date. The table shows the percentage of the with profits benefits reserve (including miscellaneous profits and losses) for each product that falls within each band (the bands are defined below).

%Asset Share	Band A	Band B	Band C	Band D
Endowments & Whole Life	0.0%	0.0%	0.1%	99.9%
Direct Written Pre 1997 Bonds	0.0%	0.0%	0.0%	100.0%
Conventional Pensions	0.5%	0.1%	0.1%	99.3%
Unitised With Profit Pensions	0.0%	0.0%	0.6%	99.4%
UWPB – Strong Guarantee	85.6%	4.6%	3.9%	5.9%
– Weak Guarantee	0.0%	0.0%	0.0%	100.0%

Where:

Band A	Contracts would need to earn >10%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band B	Contracts need to earn between 7.5% and 10%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band C	Contracts need to earn between 5% and 7.5%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band D	Contracts need to earn <5%p.a. on the equities & property backing their asset share to meet the maturity guarantee

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert.

The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

UK gilt returns are modelled using a gilts + 10bps calibration in an Annual LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model.

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The equity model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatilities are assumed to be constant beyond quoted strikes and maturities.

The volatilities used for UK equities are set out in 6(4)(a)(vi). The split between UK and overseas equities was 67%/33%.

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	<i>Output Correlations @ Year 10</i>									
	Cash	UK Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	1	0.02	0.16	0.07	0.61	-0.60	0.33	-0.49	0.55	0.31
UK Equities		1	0.21	0.36	0.05	-0.03	0.41	0.22	0.17	0.23
Property			1	0.16	0.08	-0.15	0.12	-0.07	0.19	0.16
Overseas Equities				1	0.11	0.07	0.20	0.04	0.30	0.36
5yr Govt ZCB					1	0.21	0.58	0.17	0.41	0.24
15yr Govt ZCB						1	0.12	0.80	-0.30	-0.21
5yr Corp ZCB							1	0.54	0.29	0.24
15yr Corp ZCB								1	-0.19	-0.09
5yr Index Linked ZCB									1	0.84
15yr Index Linked ZCB										1

(a) (iii)

n	Asset type (all UK assets)	K=0.75				K=1				K=1.5			
		5	15	25	35	5	15	25	35	5	15	25	35
r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	4.29%	4.19%	4.08%	3.98%	x	x	x	x	x	x	x	X
1	Risk-free zero coupon bond	£810,536	£540,020	£368,358	£255,340	x	x	x	x	x	x	x	X
2	FTSE All Share Index (p=1)	£55,282	£205,650	£305,456	£390,655	£147,173	£341,160	£467,381	£572,429	£520,864	£688,295	£841,643	£970,669
3	FTSE All Share Index (p=0.8)	£47,839	£165,380	£228,110	£271,794	£127,993	£275,880	£349,619	£400,678	£465,596	£559,395	£634,143	£684,536
4	Property (p=1)	£33,287	£103,221	£165,105	£231,869	£136,102	£235,439	£315,964	£397,843	£521,014	£609,107	£692,983	£787,145
5	Property (p=0.8)	£26,086	£70,209	£101,176	£134,160	£114,333	£169,348	£204,582	£240,569	£466,539	£469,844	£481,708	£505,939
6	15 year risk free zero coupon bonds (p=1)	£4,025	£9,448	£9,414	£14,290	£57,016	£63,899	£72,675	£117,201	£500,186	£500,082	£502,840	£528,560
7	15 year risk free zero coupon bonds (p=0.8)	£2,534	£4,627	£3,524	£2,307	£40,293	£27,843	£16,659	£16,858	£439,481	£329,137	£247,954	£221,159
8	15 year corporate bonds (p=1)	£5,675	£16,893	£26,933	£42,187	£66,064	£87,117	£109,567	£148,371	£503,192	£508,356	£517,266	£548,352
9	15 year corporate bonds (p=0.8)	£3,661	£8,001	£10,145	£11,911	£48,513	£44,282	£42,176	£46,034	£442,487	£338,870	£271,263	£248,030
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£30,815	£135,002	£215,718	£289,622	£117,427	£261,484	£363,144	£455,310	£509,549	£612,893	£725,259	£837,100
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£25,080	£100,340	£149,675	£186,500	£98,193	£199,324	£255,012	£298,513	£452,411	£480,093	£521,991	£561,521
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£23,806	£118,295	£191,810	£258,754	£100,355	£235,912	£330,455	£417,155	£504,688	£582,653	£685,822	£789,538
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£19,043	£86,640	£130,201	£163,150	£82,330	£177,925	£228,644	£267,118	£445,445	£448,534	£483,857	£519,438
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)	£9,041	£61,409	£113,920	£166,147	£75,863	£166,677	£237,204	£308,317	£502,020	£532,893	£594,890	£675,965
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)	£6,273	£38,081	£65,361	£88,974	£58,019	£111,668	£144,993	£173,264	£441,624	£387,483	£387,923	£406,252
		L=15				L=20				L=25			
16	Swaptions with 5% strikes	9.82%	9.23%	7.52%	5.76%	12.30%	11.38%	9.21%	7.02%	14.45%	13.17%	10.59%	8.05%

- iv) UK initial equity yield: 3.56%
UK initial property rental yield: 4.30%
- v) Not applicable – there are no significant territories other than the UK.
- vi) The following table shows the outstanding guarantees analysed by term. In addition, the guarantees in column B have a GAR at vesting at various strike rates as shown below.

£m	Guaranteed Benefit (Policies with no GAR)	Guaranteed Benefit (Policies with GAR)	No MVA Guarantee (Bonds)
	A	B	C
2006	197	54	62
2007	199	36	153
2008	329	41	275
2009	294	41	490
2010	251	45	404
2011	320	54	110
2012	361	53	0
2013	365	47	-
2014	198	47	-
2015	104	44	-
2016	134	33	-
2017	139	35	-
2018	130	28	-
2019	115	30	-
2020	91	32	-
2021	96	28	-
2022	119	33	-
2023	132	24	-
2024	124	19	-
2025	63	15	-
2026	57	11	-
2027	62	11	-
2028	60	11	-
2029	64	10	-
2030	56	8	-
2031	54	7	-
2032	52	7	-
2033	45	5	-
2034	36	4	-
2035	29	4	-
2036	26	2	-
2037	13	1	-
2038	7	0	-
2039	6	0	-
2040	2	-	-

Specimen cash option rates per £100 p.a. pension for annuities guaranteed five years and payable monthly in advance:

	Retirement Age	Cash Option £	
		Male	Female
Retirement Plan	60	1,000	1,100
	65	900	1,000
	70	800	900

Specimen minimum rates per £1,000 cash for annuities with no guarantee period and payable yearly in arrears:

	Retirement Age	Annuity £ p.a.	
		Male	Female
Personal Retirement Plan	60	77.24	67.77
	65	89.98	76.79
	70	108.28	89.64
	75	128.88	104.03

UK Equities

The asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Market

Term	Strike				
	0.8	0.9	1.0	1.1	1.2
1	18.94	15.79	12.87	10.77	9.77
2	18.81	16.38	14.11	12.17	11.15
3	19.25	17.15	15.19	13.35	12.30
5	20.35	18.48	16.88	15.34	14.44
10	22.10	20.65	19.83	18.77	17.89

Model

Term	Strike				
	0.8	0.9	1.0	1.1	1.2
1	12.61	13.21	13.29	13.28	13.04
2	15.76	15.12	14.16	13.31	12.66
3	17.14	16.07	15.03	14.08	13.28
5	17.91	16.94	16.02	15.26	14.63
10	22.51	21.68	20.97	20.37	19.86

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

Term	Strike				
	0.8	0.9	1.0	1.1	1.2
15	25.60	24.83	24.17	23.63	23.17
20	26.80	26.16	25.63	25.18	24.79
25	27.01	26.54	26.16	25.83	25.57
30	29.25	28.76	28.34	27.99	27.71

Difference (Model – Market) %

Term	Strike				
	0.8	0.9	1.0	1.1	1.2
1	(6.33)	(2.58)	0.42	2.51	3.27
2	(3.05)	(1.74)	0.05	1.14	1.51
3	(2.09)	(1.08)	(0.16)	0.73	0.98
5	(2.44)	(1.54)	(0.86)	(0.08)	0.21
10	0.41	1.03	1.14	1.60	1.97

Property

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Fixed Interest

A LIBOR Market Model calibrated to Gilts + 10 basis points is used. The calibration at the valuation date was as follows:

Term	Govt. + 10bp	Model	Difference (Model – Market bp)
1	4.39	4.40	1
2	4.30	4.31	1
3	4.29	4.30	1
4	4.29	4.30	1
5	4.29	4.29	0
6	4.28	4.28	0
7	4.27	4.27	0
8	4.25	4.25	0
9	4.24	4.24	0
10	4.23	4.23	0
12	4.22	4.22	0
15	4.20	4.19	(1)
20	4.14	4.14	0
25	4.08	4.08	0

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at the valuation date is as follows:

Term	Market IV	Model	Difference (Model – Market bp)
1	13.19	13.28	(9)
2	13.23	13.20	(3)
3	13.21	13.41	20
4	13.06	13.31	25
5	13.05	13.00	(5)
7	12.88	12.55	(33)
10	12.53	12.38	(15)
15	12.54	12.54	0
20	12.36	12.02	(34)
25	12.40	12.39	(1)
30	12.11	12.24	13

Credit (Corporate Bonds)

The asset model uses a credit transition matrix. A constant recovery rate of 35% is assumed on all bonds. The model is fitted to a sample of 513 predominantly investment grade sterling corporate bonds from the Merrill Lynch Bond Index. Credit derivatives are not used to derive market implied transition probabilities.

- (vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert asset model as follows:

For UK and Overseas equities and for UK property we have verified that the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) are acceptably close to unity– the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

- (viii) The assets and liabilities have been computed using 3,000 (1,500 antithetic pairs of) simulated scenarios. This results in standard errors in the calculated yield curve of less than 1 basis point for terms 1- 30 years.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 2.8% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 1.6% of these prices.

(b) Not applicable

(c) Not applicable

- (5) (a) We do not assume that any scenario specific management actions take place in the stochastic model. However the model allows for our investment strategy as follows:
- a) Sales of property and equity during 2006 to bring the actual asset mix into balance with the strategic target.
 - b) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.
 - c) An internal delta-hedge for equities and property which has an effect in the stress scenario.
 - d) Reduction in equity/property backing as policies near guarantee date.
 - e) We assume that policy classes do not move from the guarantee-related asset mix band to which they are allocated at 31 December 2005, although in practice some changes will occur in more extreme stochastic scenarios.
 - We will continue to apply existing MVA policy i.e. we allow for MVA's on surrender of UWP business (but with a "floor" based on a discounted value of the no MVA guarantee).
 - Annual bonus rates will remain at 31 December 2005 levels in future years.
 - Future miscellaneous surplus will be nil.
 - Charges made to asset shares for guarantees will continue in the future at 2006 levels.

(b)

		31/12/05	31/12/10	31/12/15
% UK & Overseas Equities	i	20%	20%	22%
	ii	Unchanged	Unchanged	Unchanged
	iii	Unchanged	Unchanged	Unchanged
Annual Bonus Rates on accumulating with profits				
UWP Bond	i	Strong Guarantee 0.5% p.a. Weak Guarantee 1% p.a.	Strong Guarantee 0.5% p.a. Weak Guarantee 1% p.a.	Strong Guarantee 0.5% p.a. Weak Guarantee 1% p.a.
	ii	Strong Guarantee 0.08% p.a. Weak Guarantee 0.17% p.a.	Nil	Nil
	iii	As ii	Nil	Nil
UWP Pensions	i	1%p.a.	1%p.a.	1%p.a.
	ii	0.17%p.a.	Nil	Nil
	iii	0.17%p.a.	Nil	Nil
PPF	i	0.1%p.a.	0.1%p.a.	0.1%p.a.
	ii	Nil	Nil	Nil
	iii	Nil	Nil	Nil

Derivative contracts do not have any significant impact on the figures shown.

(6) Persistency Assumptions

The surrender rates are:

Policy Year	1	2	3	4	5	6	7	8	9	10	11+
Product	%	%	%	%	%	%	%	%	%	%	%
Homebuyer	8	8	8	13	15	16	13	11	10	9	6
5 step	16	16	16	16	13	14	11	11	12	12	7
Term Assurance/ Convertible TA, DTA	8	13	14	12	10	9	8	7	6	6	5
UWP bond including Lifestyle bonds	1	1	2	2	3	17	20	20	13	90(*)	10
Direct Written Pre 1997 Bonds	20	20	20	20	20	20	20	20	20	20	20
PRP Regular	35	35	33	23	17	22	19	15	11	11	6
RP Regular	3	3	3	3	3	3	3	3	3	3	3
PRP Single	8	8	8	8	8	8	8	8	8	8	8
RP Single	2	2	2	2	2	2	2	2	2	2	2
Regular ARA, PRA, PPP	3	3	3	3	3	3	3	3	3	3	3
Regular ERA, EPP (including AVC)	4	4	4	4	4	4	4	4	4	4	4
Single ARA, PRA, PPP	6	6	6	6	6	6	6	6	6	6	6
Single ERA, EPP,ARA	6	6	6	6	6	6	6	6	6	6	6
Regular POP & Option Plan	1	1	1	1	1	1	1	1	1	1	1
Single POP & Option Plan	5	5	5	5	5	5	5	5	5	5	5
Regular UWP Pensions	9	9	9	9	9	9	9	9	9	9	9
Single UWP Pensions	5	5	5	5	5	5	5	5	5	5	5

(*) It is assumed that all of this 90% attracts the applicable no Market Value Reduction guarantee on the 10th policy anniversary.

For Direct Written Pre 1997 Bonds we assume a mass lapse of 50% at the capital guarantee date. This is made up of the 20% lapse rate above, with an additional mass lapse of 30% at the capital guarantee date.

For Personal Retirement Plans we assume that there will be no surrenders after age 50 on the grounds that they would then be able to take their retirement benefits.

The paid-up rates are:

Policy Year	1	2	3	4	5	6	7	8	9	10	11+
Product	%	%	%	%	%	%	%	%	%	%	%
PRP Regular	2	2	1	2	8	4	6	4	5	5	4
RP Regular	8	8	8	8	8	8	8	8	8	8	8
Regular PRA, PPP, ARA	24	24	24	24	18	16	15	11	11	10	9
Regular ERA, EPP	31	31	31	33	17	20	22	23	25	15	21
Regular UWP Pensions	28	28	28	28	28	25	23	20	18	15	15

We assume that policies that are taking automatic withdrawals will continue to do so at the current rates.

We assume that current and future paid-up policies will lapse at the same rate as premium paying policies.

For Personal Retirement Plans we assume that lives under age 65 at the valuation date will retire at age 65; otherwise they will retire at 75 (or the maximum retirement age under the contract, if earlier).

We do not make any other allowance for early retirements.

Take up Rates of Guaranteed Annuity Options

The assumed proportion of cash in each scenario is dynamic according to the following formula: -

$$Cash = \text{Min}(L, (\text{Max}(10\%, (CxF))) \times (1 - \text{Min}(t, T) / SxT))$$

where

$$F = R^{k(j) \times 100} \times R^{(i-j-k(j)) \times 100 \times (\text{ABS}(i-j) > \text{semirange})}$$

and

$$k(j) = i - \text{Min}(\text{Max}(j, i - \text{semirange}), i + \text{semirange})$$

where

L	Overall limit on cash proportion - set it to 1.25 x C
C	Current experience assumption
F	Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable.
R	Reduction factor that applies outside of central "plateau" range (R=2/3)
R'	Reduction factor that applies within central "plateau" range (R'=0.9)
k(j)	Interim calculation variable depending on i,j, and semirange
semirange	Central "plateau" assumed to apply over a range from (i-semirange) to (i + semirange). Set at 1%.
t	Time in years from the valuation date
T	Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30)
S	Amount of longevity decline (S=3 so that cash declines by 1/3 over T years)
i	Average 20 year interest rate over the period used to set the current experience assumption. This is 4.56% at the valuation date
j	20 year gilt rate at maturity for the particular scenario

Annuitant Mortality

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

The mortality assumption for annuities in possession arising from the exercising of guaranteed annuity options is 5% higher than that described in Appendix 9.4, paragraph 4 (4).

- (7) Modelled policyholder behaviour is static i.e. it does not vary between the different stochastic simulations apart from GAR take up rates, which vary according to the formula in (6) above.

7. Financing costs

There is a financing reinsurance agreement with RSALI. In exchange for a flow of premiums relating to a specified part of the margins within Homestyle, Homestyle 5-Step and Wealthstyle policies (including increments and options) written in Royal Life (Unit Linked Assurances) Limited in 1990, 1991 and 1992 and Flexible Protection Plan policies written in 1990, 1991 and 1992, PLP provided commission based on commercial terms agreed at outset in order to offset the cost of writing new business.

As at the valuation date, the value of this arrangement amounted to £0.396m.

The Company has contingent loan agreements described fully in note 15.08.

8. Other long-term insurance liabilities

(a) Endowment Compensation Reserve

Some policyholders have been given non-compliant advice to take out an endowment policy to repay a mortgage.

A realistic amount to cover the cost of providing compensation to them has been assessed from the number of complaints expected to be received, the proportion anticipated to be valid and the expected amount of compensation per case payable, account being taken of the FSA guidelines on determination of compensation. Provision has also been made for the cost of handling complaints received.

The liability as at the valuation date amounted to £81.7m.

(b) Additional Guaranteed Annuity Option Reserve

Additional realistic reserves are held in respect of expected additional payments on with-profits pensions claims in 1999, 2000, 2001 and 2002. Terminal bonus on the claim amounts had been calculated by deducting an amount for the expected cost of providing the guaranteed annuity option on those claims. Subsequent legal advice has indicated that this was not in accordance with the House of Lords judgement in Hyman v Equitable Life Assurance Society.

The liability as at the valuation date amounted to £32.1m.

(c) Pensions Misselling

A residual liability of £0.14m has been included.

(d) Other Liabilities

An allowance is made for other liabilities that may arise in respect of with-profits life business. This includes a £20m Data Contingency reserve and a provision of £14.33m for litigation costs.

The total liability as at the valuation date amounted to £47.5m.

9. Realistic Current Liabilities

(a) Future Tax Profit

The realistic balance sheet calculations assume that tax will be payable in relation to the realistic proportion of life business. In reality the tax is calculated by reference to statutory liabilities. An approximate adjustment is made to allow for the fact that future tax will be based on the statutory life proportion rather than the realistic life proportion.

This adjustment as at the valuation date amounted to £6.3m.

(b) Additional Tax on Shareholder Transfers

An allowance is made for the additional tax arising on transfers to shareholders in respect of life business. This is calculated as a percentage of the present value of future transfers to shareholders in respect of life business.

The liability as at the valuation date amounted to £14.1m.

The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

	(£m)
Regulatory current liabilities	321
+ Future tax profit	6
+ Additional tax on shareholder transfers	14
Realistic current liabilities	341

10. Risk Capital Margin

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.72%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.

(iii) The average change in spread is 0.42%. The change in the market value of bonds is:

(a) -3.12%

(b) not applicable

(c) not applicable

(d) not applicable

(e) The change in the market value of swaps is -13%.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is -0.04%.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) In the stress scenarios we further assume that:

- Annual bonus rates will be reduced (to nil on traditional business and some UWP business)

- The impact of the combined stress will be partially offset by increasing guarantee charges. We assume an introduction of an exit charge of 1% of asset share on terminations.

Furthermore, it is assumed that the planned benefit enhancements will be reduced by £25.97m, resulting in £nil working capital under the stressed conditions.

These actions are consistent with our PPFM and investment strategy.

- (c) (i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.
- (ii) Not applicable.

11. Tax

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An approximate adjustment is made to allow for any differences between the tax calculated as described and the tax expected on a corporate basis. The adjustment is calculated within the stochastic model.

12. Derivatives

At the valuation date the company had a number of significant positions in interest rate swaps and swaptions.

The interest rate swaps are held in connection with the fixed interest portfolio and are used to improve the matching between the assets and the liabilities against changes in the yield curve for the long-term fund as a whole.

The interest rate swaptions are held in respect of the GAR liabilities. Receiver swaptions are held to cover part of the GAR liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the with-profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments. The quantum of swaptions held is based on a prudent assessment of future GAR liabilities taking account of expected future lapse rates and take up rates. The duration and tenor of the swaptions corresponds broadly with the liabilities. The strike rates for the receiver swaptions are 5%. The strike rates for the payer swaptions vary according to the rate at which it is expected the cash option will become more valuable than the GAR allowing for future improvements in mortality.

Both the swaps and swaptions are wholly sterling denominated.

The counterparties to the swaps and swaptions are approved credit institutions. Variation margin (collateral) arrangements are in place under both the swaps and swaptions. In addition the swaps provide for initial margins by both parties.

13. Analysis of Working Capital

£m	With Profits Benefit Reserve Plus Planned Enhancements Less Past Deficits	Other Liabilities (1)	Working Capital
Opening value per Forms 18 & 19			
With profits benefits reserve	6,424		
Past miscellaneous deficit attributed to with profits benefit reserve	(20)		
Total	6,404		
Mathematical reserves for non-profit business		2,487	
LTICR for non-profit business		86	
Present value of future profits on non-profit business		(187)	
Planned deductions for the cost of guarantees, options and smoothing from with-profits benefit reserve		(102)	
Future cost of contractual guarantees		88	
Future cost of financial options		194	
Future cost of smoothing		7	
Other long term insurance liabilities		193	
Financing costs		(1)	
Realistic current liabilities		226	
Total		2,992	
Working capital			131
Opening value	6,404	2,992	131
Effect of:			
Retrospective changes to with profits benefits reserve owing to finalisation of investment returns and miscellaneous surplus for previous year	7	0	(7)
Modelling / data changes	(48)	27	22
Change in inadmissible assets	0	0	8
Premiums (2)	137	(1,419)	0
Claims (2)	(782)	(139)	0
Expenses	(25)	(12)	1
Tax and provisions for future tax	(69)	(43)	15
Investment return (3)	670	267	37
Shareholder transfers	(13)	0	0
Compensation costs	0	(3)	(27)
Non-economic factors affecting guarantee costs	0	39	(39)
Guarantee costs in period ex GAOs	1	(1)	0
Change in method of calculating value of non-profit business	0	8	(8)
Changes in other provisions	0	105	(13)
Guarantee charges in period (4)	(22)	0	22
Change in value of future charges (4)	0	55	(55)
Miscellaneous profits/ losses (5)	(100)	100	(0)
Change in value of planned enhancements	130	0	(130)
Other / unexplained	(39)	(1)	44
Total	6,251	1,974	0
Closing value per Forms 18 & 19			
With profits benefits reserve	6,132		
Past miscellaneous deficit attributed to with profits benefit reserve	(11)		
Planned enhancements to with profits benefit reserve	130		
Total	6,251		
Mathematical reserves for non-profit business		1,211	
LTICR for non-profit business		64	
Present value of future profits on non-profit business		(105)	
Planned deductions for the cost of guarantees, options and smoothing from with-profits benefit reserve		(47)	
Future cost of contractual guarantees		86	
Future cost of financial options		260	
Future cost of smoothing		1	
Other long term insurance liabilities		161	
Financing costs		(0)	
Realistic current liabilities		342	
Total		1,974	
Working capital			0

NOTES

- 1 Other liabilities consists of Future Policy Related Liabilities (but less Form 19, Line 35 and plus Form 19, Line 34), realistic current liabilities and the realistic value of non-profit liabilities (i.e. Form 18, Line 13 less Form 19, Line 22).
- 2 The effect on working capital of any differences between the actual premiums and claims and those implicit in the non-profit liabilities are included in either miscellaneous profits/losses on non-profit business or other/unexplained.
- 3 For the with profits benefit reserve - investment return credited during period (A); for other liabilities - investment return required to support financial element of changes in liabilities (B); for working capital - actual investment return earned in period less A+B.
- 4 Guarantee charges in the period is the amount charged to asset shares in the period. The change in the value of charges is the difference between the value of charges at the start and end of the period. Hence the total effect of guarantee charges is to reduce the working capital by £33m.
- 5 Miscellaneous profits and losses represents the effect of charges for miscellaneous profits and losses in the period together with the effect of changes in the past miscellaneous deficit attributed to the with profits benefit reserve.
- 6 A number of approximations are made in producing this analysis.

Long term insurance business : Summary of new businessName of insurer **Phoenix Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**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	175	267		442	
Single premium business	12	9	2892	63	2964	
Total	13	184	3159	63	3406	
Amount of new regular premiums						
Direct insurance business	21	62	360		422	
External reinsurance	22					
Intra-group reinsurance	23		410		410	
Total	24	62	770		832	
Amount of new single premiums						
Direct insurance business	25	56	63546	1729	65331	
External reinsurance	26					
Intra-group reinsurance	27		68		68	
Total	28	56	63614	1729	65399	

Long term insurance business : Analysis of new business

Name of insurer **Phoenix Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	172	58		
350	Stand-alone critical illness (guaranteed premiums)	3	4		
390	Deferred annuity non-profit			1	
395	Annuity non-profit (PLA)			8	56

3

Long term insurance business : Analysis of new business

Name of insurer **Phoenix Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			2832	62795
725	Individual pensions property-linked	179	298	36	591
735	Group money purchase pensions property-linked	88	62	9	27
905	Index linked annuity			15	133

Long term insurance business : Analysis of new business

Name of insurer **Phoenix Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

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
725	Individual pensions property-linked		248		47
735	Group money purchase pensions property-linked		162		21

Long term insurance business : Analysis of new business

Name of insurer **Phoenix Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			63	1729

Long term insurance business : Non-linked assetsName of insurer **Phoenix Life & Pensions Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**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 requirement						
Land and buildings	11					
Approved fixed interest securities	12	794448	790661	38227	4.15	
Other fixed interest securities	13	274051	272745	13876	4.79	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	(5093)				
Total	19	1063406	1063406	52103	4.31	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	815140	815140	41817	5.13	16.5
Approved fixed interest securities	22	2651625	2638985	128383	4.15	6.9
Other fixed interest securities	23	1884537	1875554	95945	4.79	6.9
Variable interest securities	24	214383	214383	4932	2.10	6.9
UK listed equity shares	25	771161	786092	20495	4.09	22.2
Non-UK listed equity shares	26	379454	396278	6924	3.30	26.6
Unlisted equity shares	27					
Other assets	28	154673	144541	3100	2.14	4.8
Total	29	6870973	6870973	301596	4.28	11
Overall return on with-profits assets						
Post investment costs but pre-tax	31					10.9
Return allocated to non taxable 'asset shares'	32					13.3
Return allocated to taxable 'asset shares'	33					8

Long term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life & Pensions Limited**

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

Financial year ended **31st December 2005**

Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	2678439	9.20	4.15	4.15
Other approved fixed interest securities	21	767633	9.71	4.22	4.22
Other fixed interest securities					
AAA/Aaa	31	575292	10.93	4.60	4.52
AA/Aa	32	625736	7.19	4.68	4.56
A/A	33	841836	7.96	4.95	4.71
BBB/Baa	34	115724	7.01	5.39	4.74
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	2158588	8.48	4.80	4.62
Approved variable interest securities	41	156137	11.42	1.67	1.67
Other variable interest securities	51	58247	10.74	3.25	3.15
Total (11+21+39+41+51)	61	5819044	9.08	4.32	4.26

Long term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life & Pensions Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	2123168	911638	91058	3125864	3124449
Form 51 - non-profit	12	292661	2215065	61480	2569206	2386425
Form 52	13	1527704	736623	13977	2278304	2519134
Form 53 - linked	14	71490	1399324	663	1471477	1295610
Form 53 - non-linked	15	365	45085	2	45452	41221
Form 54 - linked	16		245067	150	245217	195765
Form 54 - non-linked	17					
Total	18	4015388	5552802	167330	9735520	9562604
Reinsurance - external						
Form 51 - with-profits	21	766			766	1616
Form 51 - non-profit	22	125101	1445232	263	1570596	100777
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		39057		39057	
Form 54 - non-linked	27					
Total	28	125867	1484289	263	1610419	102393
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	66220	1399324	663	1466207	1290970
Form 53 - non-linked	35	98	44807	2	44907	40349
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	66318	1444131	665	1511114	1331319
Net of reinsurance						
Form 51 - with-profits	41	2122402	911638	91058	3125098	3122833
Form 51 - non-profit	42	167560	769833	61217	998610	2285648
Form 52	43	1527704	736623	13977	2278304	2519134
Form 53 - linked	44	5270			5270	4640
Form 53 - non-linked	45	267	278		545	872
Form 54 - linked	46		206010	150	206160	195765
Form 54 - non-linked	47					
Total	48	3823203	2624382	166402	6613987	8128892

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	7190	119549	992	n/a	n/a	n/a	69565
120	Conventional endowment with-profits OB savings	11735	91946	1489	n/a	n/a	n/a	71958
125	Conventional endowment with-profits OB target cash	234912	3003850	104436	n/a	n/a	n/a	1925489
175	Group conventional deferred annuity with-profits - Old series	254	2105	564	n/a	n/a	n/a	19084
175	Group conventional deferred annuity with-profits - New series	86	255	127	n/a	n/a	n/a	1558
205	Miscellaneous conventional with-profits	45	151	5	n/a	n/a	n/a	141
210	Additional reserves with-profits OB				n/a	n/a	n/a	35372
300	Regular Premium non-profit WL/EA OB - Whole of Life	5628	18143	63	n/a	n/a	n/a	14112
300	Regular Premium non-profit WL/EA OB - Endowment Assurance	10333	90798	723	n/a	n/a	n/a	77009
305	Single premium non-profit WL/EA OB - Whole of Life	473	3940		n/a	n/a	n/a	3792
325	Level term assurance	63892	4986309	23932	n/a	n/a	n/a	117144

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
330	Decreasing term assurance	17339	2734921	11884	n/a	n/a	n/a	23989
345	Accelerated critical illness (reviewable premiums) - Progressive Protection Plan		62851	183	n/a	n/a	n/a	192
350	Stand-alone critical illness (guaranteed premiums) - Lifecare	6901	321392	1503	n/a	n/a	n/a	5305
355	Stand-alone critical illness (reviewable premiums) - Progressive Protection Plan		20759	72	n/a	n/a	n/a	76
390	Deferred annuity non-profit - Old series	933	63		n/a	n/a	n/a	1134
395	Annuity non-profit (PLA) - Annuity in Payment	3960	5225		n/a	n/a	n/a	30050
395	Annuity non-profit (PLA) - Reversionary Annuity	135	411		n/a	n/a	n/a	3093
410	Group Life		506152		n/a	n/a	n/a	4549
425	Group Income protection claims in payment	11	92		n/a	n/a	n/a	1244
435	Miscellaneous non-profit	528	1072061	6382	n/a	n/a	n/a	8424
440	Additional reserves non-profit OB				n/a	n/a	n/a	2548

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

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		1047	1	n/a	n/a	n/a	765
205	Miscellaneous conventional with-profits		101		n/a	n/a	n/a	1
300	Regular Premium non-profit WL/EA OB - Whole of Life		202	2	n/a	n/a	n/a	157
300	Regular Premium non-profit WL/EA OB - Endowment Assurance		52		n/a	n/a	n/a	40
325	Level term assurance		4756046	23954	n/a	n/a	n/a	106227
330	Decreasing term assurance		2686749	11538	n/a	n/a	n/a	21529
350	Stand-alone critical illness (guaranteed premiums) - Lifecare		567		n/a	n/a	n/a	1
425	Group Income protection claims in payment		24		n/a	n/a	n/a	421
435	Miscellaneous non-profit		55197	76	n/a	n/a	n/a	1353
440	Additional reserves non-profit OB - Credit Risk on Reinsurance Ceded				n/a	n/a	n/a	(4627)

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits - 1971 - 1978 (Ongoing Premiums)	877	2701	180	n/a	n/a	n/a	32680
165	Conventional deferred annuity with-profits - 1971 - 1978 (Other)	1471	2349		n/a	n/a	n/a	24244
165	Conventional deferred annuity with-profits - Post 1978 (Ongoing Premiums)	8329	47326	4208	n/a	n/a	n/a	199528
165	Conventional deferred annuity with-profits - Post 1978 (Other)	24109	38831		n/a	n/a	n/a	239106
175	Group Conventional deferred annuity with-profits - Deferred Annuity (Ongoing Premiums)	490	9615	1282	n/a	n/a	n/a	97201
175	Group Conventional deferred annuity with-profits - Deferred Annuity (Other)	4071	16013		n/a	n/a	n/a	234827
185	Group Conventional pensions endowment with-profits	1667	13361	64	n/a	n/a	n/a	15663
205	Miscellaneous conventional with-profits	2596	71855	140	n/a	n/a	n/a	2217
210	Additional reserves with-profits OB - Annuity Guarantee Compensation Reserve				n/a	n/a	n/a	36600
210	Additional reserves with-profits OB				n/a	n/a	n/a	29573

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	5037	145792	430	n/a	n/a	n/a	3086
390	Deferred annuity non-profit	13298	31667		n/a	n/a	n/a	353936
390	Deferred annuity non-profit - Retirement Plan	146	734	3	n/a	n/a	n/a	4878
390	Deferred annuity non-profit - STG		2245		n/a	n/a	n/a	65294
390	Deferred annuity non-profit - Gillette	453	954		n/a	n/a	n/a	42123
400	Annuity non-profit (CPA) - Annuities in payment	53566	107244		n/a	n/a	n/a	1373179
400	Annuity non-profit (CPA) - Reversionary Annuity	139	30913		n/a	n/a	n/a	152576
400	Annuity non-profit (CPA) - Miscellaneous Annuity in payment	1119	9904		n/a	n/a	n/a	131086
435	Miscellaneous non-profit - Maturities on Deposit	1849	46681		n/a	n/a	n/a	87976
435	Miscellaneous non-profit	568	20773	105	n/a	n/a	n/a	363
440	Additional reserves non-profit OB				n/a	n/a	n/a	567

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

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		2377	13	n/a	n/a	n/a	39
390	Deferred annuity non-profit		28		n/a	n/a	n/a	260
400	Annuity non-profit (CPA) - Annuities in payment		102259		n/a	n/a	n/a	1299231
400	Annuity non-profit (CPA) - Reversionary Annuity		29043		n/a	n/a	n/a	145693
435	Miscellaneous non-profit		1400	8	n/a	n/a	n/a	10

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / 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	524	5252	65	n/a	n/a	n/a	2813
120	Conventional endowment with-profits OB savings	335	3474	47	n/a	n/a	n/a	2688
125	Conventional endowment with-profits OB target cash	1890	30205	924	n/a	n/a	n/a	23016
165	Conventional deferred annuity with-profits - (Ongoing Premiums)	694	3870	492	n/a	n/a	n/a	25938
165	Conventional deferred annuity with-profits - (Other)	979	2041		n/a	n/a	n/a	15613
175	Group Conventional deferred annuity with-profits - (Ongoing premiums)	25	537	116	n/a	n/a	n/a	6668
175	Group Conventional deferred annuity with-profits - (Other)	696	1119		n/a	n/a	n/a	14064
205	Miscellaneous conventional with-profits	178	3590	8	n/a	n/a	n/a	114
210	Additional reserves with profits OB				n/a	n/a	n/a	144
300	Regular Premium non-profit WL/EA OB - Whole of Life	326	939	4	n/a	n/a	n/a	797
300	Regular Premium non-profit WL/EA OB - Endowment Assurance	310	1290	1	n/a	n/a	n/a	1162

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / 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
325	Level term assurance	870	33959	155	n/a	n/a	n/a	643
330	Decreasing term assurance	323	16606	106	n/a	n/a	n/a	194
390	Deferred annuity non-profit	139	27	4	n/a	n/a	n/a	356
390	Deferred annuity non-profit - Group old series	72	58		n/a	n/a	n/a	935
400	Annuity non-profit (CPA) - Annuity in payment	1302	3526		n/a	n/a	n/a	40813
400	Annuity non-profit (CPA) - Reversionary annuity	6	786		n/a	n/a	n/a	4121
435	Miscellaneous non-profit - Maturities on Deposit	309	6417		n/a	n/a	n/a	12183
435	Miscellaneous non-profit	20	11900	64	n/a	n/a	n/a	274

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

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium non-profit WL/EA OB - Endowment Assurance		105		n/a	n/a	n/a	104
325	Level term assurance		1001	4	n/a	n/a	n/a	8
330	Decreasing term assurance		393	11	n/a	n/a	n/a	4
400	Annuity non-profit (CPA) - Annuity in payment		11		n/a	n/a	n/a	146
435	Miscellaneous non-profit		173		n/a	n/a	n/a	

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium - WPB	7325	174261		172535	168534		168534
500	Life UWP single premium - UWP Bond	41383	1262661		1250160	1115918	18104	1134022
500	Life UWP single premium - Lifestyle Bond	8353	240753		238369	187190	51221	238411
575	Miscellaneous UWP	9	446		446	446		446
610	Additional reserves UWP - Bonus Reserves				(13709)	(13709)		(13709)

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP - Personal Option Plan	17595	347242		642746	353932	1591	355523
525	Individual pensions UWP - Personal Retirement Account	6874	70300	2123	70300	68500	435	68935
525	Individual pensions UWP - Plusplan	8801	80247		137721	83875	384	84258
525	Individual pensions UWP - Living Pensions	432	1385	85	1385	1385		1385
525	Individual pensions UWP - Pensions Solutions	125	1240	590	1240	1240	204	1444
525	Individual pensions UWP - IPPP & GPPP		103845	2937	94678	57600	37956	95556
525	Individual pensions UWP - FSAVC		3917	243	3917	2724	1233	3958
535	Group Money Purchase Pensions UWP - Executive Retirement Account	357	9370	90	9370	8699	111	8810
535	Group Money Purchase Pensions UWP - Plusplan	9217	89197	2607	139342	93229	429	93658
535	Group Money Purchase Pensions UWP - Pensions Solutions	1468	5145	3558	5145	5145	2048	7192
535	Group Money Purchase Pensions UWP - EPP		8684	314	8076	5838	2220	8059
535	Group Money Purchase Pensions UWP - CIMPS		5704	105	5600	3308	2257	5566

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

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
535	Group Money Purchase Pensions UWP - AVC		1547	27	1536	1000	567	1567
575	Miscellaneous UWP		893		2577	2064	7	2071
610	Additional reserves UWP - Bonus reserves				(1358)	(1358)		(1358)

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

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium - WPB	230	10046		9947	9660		9660
575	Miscellaneous UWP	878	4490	312	7332	4529	20	4549
610	Additional reserves UWP - Bonus reserves				(232)	(232)		(232)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	2042	65526		65520	65520	208	65728
710	Life property linked whole life regular premium	37	698	7	700	700	26	727
715	Life property linked endowment regular premium	185	5270	15	5270	5270	131	5401

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		65526		65520	65520	98	65618
710	Life property linked whole life regular premium		698	7	700	700		700

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	105403	1336174	24208	1321266	1269521	40311	1309833
735	Group Money Purchase Pensions property linked	6328	136920	6672	132983	129802	4574	134376
800	Additional reserves property linked						200	200

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		1309210	24208	1321266	1269521	40241	1309763
735	Group Money Purchase Pensions property linked		132489	6672	132983	129802	4566	134368

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	12	485		485	485		485
725	Individual pensions property linked	26	181		183	178	2	180

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		485		485	485		485
725	Individual pensions property linked		181		183	178	2	180

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity - Annuity in Payment linked to LPI	356	2383			36663		36663
905	Index linked annuity - Reversionary Annuity linked to LPI		754			4708		4708
905	Index linked annuity - Deferred Annuity linked to LPI		3			30		30
905	Index linked annuity - Deferred Annuity linked to RPI (STG)	2524	2858			98148		98148
905	Index linked annuity - Annuity in Payment linked to RPI (STG)	4013	5161			105519		105519

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life & Pensions Limited**

Total business / subfund **Ordinary Long Term**

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity - Annuity in Payment linked to LPI		2107			34447		34447
905	Index linked annuity - Reversionary Annuity linked to LPI		733			4608		4608
905	Index linked annuity - Deferred Annuity linked to LPI					2		2

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life & Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity - Annuity in Payment linked to LPI	2	7			141		141
905	Index linked annuity - Reversionary Annuity linked to LPI		2			9		9

Long-term insurance business - analysis of valuation interest ratesName of insurer **Phoenix Life & Pensions Limited**Total business / subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK L&GA WP Form 51 Endowment Assurances	2003952	3.10	3.88	4.26
UK Pens WP Form 51 Deferred Annuity (RP)	347894		3.65	4.24
UK Pens WP Form 51 Deferred Annuity (SP/PUP)	499189		4.00	4.44
UK Pens NP Form 51 Deferred Annuity	469286		3.65	4.02
UK Pens NP Form 51 Annuities in Payment	211918		4.10	4.50
UK L&GA WP Form 52 With Profit Bond	1541196	2.92	3.65	4.13
UK Pens WP Form 52 UWP Pensions	728387		3.65	4.24
Misc:	624706			4.17
Total:	6426528	n/a	n/a	n/a

Long term insurance business : distribution of surplusName of insurer **Phoenix Life & Pensions Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	6638458	8156244
Bonus payments in anticipation of a surplus	12	107099	137882
Transfer to non-technical account	13	12916	16094
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	6758473	8310220
Mathematical reserves	21	6613987	8128892
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	144486	181328
Composition of Surplus			
Balance brought forward	31	500	500
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	143986	180828
Total	39	144486	181328
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	107099	137882
Cash bonuses	42		
Reversionary bonuses	43	23971	26852
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	131070	164734
Net transfer out of fund/part of fund	47	12916	16094
Total distributed surplus (46+47)	48	143986	180828
Surplus carried forward	49	500	500
Total (48+49)	59	144486	181328
Percentage of distributed surplus allocated to policyholders			
Current year	61	91.03	91.10
Current year - 1	62	91.10	91.60
Current year - 2	63	91.60	92.10
Current year - 3	64	92.10	92.08

Long-term insurance business: With-profits payouts on maturity (normal retirement)Name of insurer **Phoenix Life & Pensions Limited**Original insurer **Phoenix Life & Pensions Limited**Date of maturity value/open market option **1st March 2006**

Category of with-profits policy	Original term (years)	Maturity value/ open market option	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	5794	114		CWP	N	SA+B
Endowment assurance	15	11256	433		CWP	N	SA+B
Endowment assurance	20	23219	4030		CWP	N	SA+B
Endowment assurance	25	46410	12534		CWP	N	SA+B
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	27113	3119		CWP	N	ROF
Regular premium pension	15	57806	13340		CWP	N	ROF
Regular premium pension	20	110822	25574		CWP	N	RWI
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	15844	0		CWP	N	ROF
Single premium pension	15	35268	9711		CWP	N	ROF
Single premium pension	20	71831	26654		CWP	N	RWI

Long-term insurance business: With-profits payouts on surrenderName of insurer **Phoenix Life & Pensions Limited**Original insurer **Phoenix Life & Pensions Limited**Date of surrender value **1st March 2006**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	5253			CWP	N	SA+B
Endowment assurance	15	10161			CWP	N	SA+B
Endowment assurance	20	23561			CWP	N	SA+B
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	9924	0	1152	UWP	Y	101% FV
With-profits bond	10	15957	0	326	CWP	Y	101% IPA
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	15844			CWP	N	ROF

Long term insurance capital requirement

Name of insurer **Phoenix Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**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							
Classes I, II and IX	11	0.1%			1.00		
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%	12349232	12297834		36894	42076
Classes III, VII and VIII	14	0.3%					
Total	15		12349232	12297834		36894	42076
Insurance health risk capital component							
Class IV and supplementary classes 1 and 2	21					466	549
Insurance expense risk capital component							
Classes I, II and IX	31	1%	8235772	6625774	0.85	70004	81427
Classes III, VII and VIII (investment risk)	32	1%	779	779	1.00	8	11
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	11740	4958	0.85	100	87
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%	6868	6446	0.94	64	76
Class V	36	1%					
Class VI	37	1%					
Total	38					70176	81601
Insurance market risk capital component							
Classes I, II and IX	41	3%	8235772	6625774	0.85	210012	244281
Classes III, VII and VIII (investment risk)	42	3%	779	779	1.00	23	34
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	11740	4958			
Classes III, VII and VIII (other)	44	0%					
Class IV	45	3%	6868	6446	0.94	193	229
Class V	46	0%					
Class VI	47	3%					
Total	48		8255159	6637957		210228	244544
Long term insurance capital requirement	51					317764	368770

Supplementary Notes

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

NOTES TO APPENDIX 9.1

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

The reconciliation of the net admissible assets to total capital resources after deductions is as follows:

	2005 £000's
Form 13 line 89 Total other than long term business assets	64,274
Form 13 line 89 Total long term business assets	8,224,902
Less the sum of lines 11, 12 and 49 of Form 14	(6,921,533)
Less Form 15 line 69	<u>(38,709)</u>
	1,328,934
Form 15 line 63 Subordinated loan capital	<u>35,955</u>
Total capital resources after deductions (Form 3 line 79)	<u>1,364,889</u>

***0310* Details of valuation differences between the return and statutory accounts**

The Long Term Business Provision in the statutory accounts is calculated in accordance with FRS 27 so it is a measure of the realistic liabilities including a provision for future annual and terminal bonuses. The mathematical reserves are determined in accordance with FSA rules, generally using more conservative assumptions and, for most policies, without any allowance for future bonuses.

***1301* OLTB: Aggregate value of certain investments**

The Company held at 31 December 2005 £47,000k (2004 £75,000k) in unlisted securities.

***1304* OLTB: Set off**

***1310* LTB: Set off**

- In accordance with Appendix 9.1, paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.
- Interfund balances which exist between the shareholders' funds and life funds have been adjusted by allocating appropriate cash and deposit balances.

***1305* OLTB: Counterparty limits**

***1311* LTB: Counterparty limits**

The maximum permitted limit to an approved and other than approved counterparty is the limit consistent with the requirement on admissibility of assets unless the Company agrees otherwise.

***1306* Counterparty exposure at the end of the financial year**

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

At 31 December 2005 the Company had no counterparty exposure exceeding 5% of the sum of its base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

***1308* LTB: Aggregate value of certain investments**

The Company held at 31 December 2005 £47,737k (2004 £74,581k) in unlisted securities and listed securities not readily realisable, the majority of which were unlisted securities.

Supplementary Notes

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

***1309* LTB: Hybrid securities**

At 31 December 2005 the Company did not hold any hybrid securities. The aggregate value of hybrid securities held by the Company at 31 December 2004 was £8,105k.

***1318* Adjustments to assets**

Other adjustments to assets shown in Form 13, line 100 represent:

	Other than long term £000's	Long term £000's
Financing reinsurance	-	329
Subordinated loan	37,672	(37,672)
Inadmissible assets	-	278
Reclassification of assets	-	(79,093)
	<u>37,672</u>	<u>(116,158)</u>

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

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

No provision for adverse changes has been made, as liabilities are matched to assets.

***1402* Details of charges over assets, contingent liabilities etc.**

***1502* Details of charges over assets, contingent liabilities etc.**

Form 14, line 21 in 2005 includes an amount of £28,744k in respect of a prospective liability for tax on unrealised capital gains calculated in accordance with Financial Reporting Standard 19. At 31 December 2004 there was a deferred tax asset.

In common with the Life Insurance industry, the Company has experienced an increasing number of complaints in respect of mortgage endowment business. A provision has been established, but the ultimate redress cost may be greater or smaller than is currently provided and will be dependent on the level of complaints and the period over which the policies were written.

At 31 December 2005 there were no other contingent liabilities, guarantees, indemnities or contractual commitments effected by the Company other than in the ordinary course of its insurance business.

***1405* Adjustments to liabilities**

Other adjustments to liabilities shown in Form 14, line 74 represent:

	£000's
Financing reinsurance	329
Reclassification of assets	(79,093)
Valuation differences	<u>1,091,266</u>
	<u>1,012,502</u>

Supplementary Notes

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

***1508* Subordinated Loan**

The Company has entered into the following arrangements with RLG With Profits Holding Limited (RLGWPH) to support its ongoing solvency position:

Subordinated loan agreement:

Under these agreements, the Company and Phoenix & London Assurance Limited (PALAL) each have a loan facility from RLGWPH, whereby support is provided where it is anticipated that the companies have insufficient capital to meet the "Capital Test". The Capital Test requires there to be sufficient capital to meet both the Individual Capital Assessment (ICA), as calculated under PRU 2.3 and have an excess of available capital resources equal to at least £50.0m under both the statutory and realistic solvency regulations, as shown on Form 2, line 42, of the returns to the FSA, if Form 2 was to be prepared on the date concerned. The loans are repayable at the companies' discretion, giving at least 6 months notice to the lender, to the extent that the Capital Test is met and with the prior consent of the FSA. The amount available to the Company under the subordinated loan agreement is limited to such amount as would cause the aggregate of the loan and any loans advanced under the PALAL agreement to equal no more than £265.0m. At 31 December 2005, the Company and PALAL had drawn-down £36.0m (2004: £35.5m) and £211.9m (2004: £211.4m) respectively. Interest is due under these loan agreements at LIBOR plus 2%, but is only payable at the Company's discretion, giving 30 days notice to the lender and it is shown under creditors.

Internal capital support memorandum:

Under this memorandum, the Company has agreed with RLGWPH and with the FSA to establish memoranda accounts within the shareholder's (SH) and long-term (LTF) funds to provide support to the LTF. The amount credited to the SH memorandum account at 31 December 2005 was £36.0m. Assets are transferred from the SH memorandum account to the LTF memoranda accounts when the Company becomes aware that the value of assets comprised in the LTF have fallen (or are likely to fall) below the "Threshold Amount". The Threshold Amount is £25.0m in excess of the requirements under both the statutory and realistic solvency regulations. The amount transferred from the SH memorandum account to the LTF memoranda at 31 December 2005 was £37.7m including accrued interest. Assets are repayable to the SH memorandum account from the LTF memoranda accounts out of profits arising in the Long Term Fund to the extent that the assets comprised in the LTF are greater than the Threshold Amount, subject to receipt by the Company of permission in writing of the FSA. Of the £37.7m transfer from the SH memorandum account into the LTF memoranda accounts, £Nil was required to achieve a realistic basis surplus of £Nil.

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

In accordance with Appendix 9.1, paragraph 5(2), of the Interim Prudential Sourcebook for Insurers, long-term business amounts of income and expenditure in foreign currencies are translated to sterling at the prevailing rates at the date of the transactions.

***1700* Omission of forms**

Form 17 for other than long term has not been prepared as all entries, including comparatives, would be nil.

***1701* Derivative Contracts**

There has been no excess variation margin received due to market movements that has subsequently been partly or wholly reversed.

There is no excess variation margin included within Form 13.

***1703* Adjustments for variation margin**

The amount shown in Form 17, line 41 column 1 represents assets transferred to the Company under collateral arrangements with Goldman Sachs International.

Supplementary Notes

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

NOTES TO APPENDIX 9.3

***4002* Other income and expenditure**

Other income in 2005 of £580k shown in Form 40, line 15 and other expenditure in 2004 of £508k shown in Form 40, line 25 relate to costs arising from the decision to close to new business in 2002, together with the out turn of provisions established prior to 2003 in respect of previous business improvement programmes. These costs arise from fundamental reorganisations of the business.

***4008* Provision of management services to or by the company**

Arrangements were in force during the financial year for the provision of management services to the Company by Resolution Life Services Limited, Phoenix Life Insurance Services Limited (formerly Royal & Sun Alliance Life Insurance Services Limited), Unisys Limited and F&C Asset Management plc.

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

A number of reinsurance contracts are in place between the Company and other group companies. All these contracts are entered into on "arms length" basis and details of material contracts are listed in Appendix 9.4 Schedule 9 of the Return.

***4010* Unit linked investment income**

Form 40, line 12 includes unit linked investment income of £525k.

***4011* Expenses payable**

During the year the Company signed a management services agreement with Phoenix Life Insurance Services Ltd (formerly Royal & Sun Alliance Life Insurance Services Ltd, a related company) for the provision of policy administration services and related support functions, together with financial management and reporting services and governance activities, effective from 1 January 2005. The majority of recurring costs associated with the agreement are wholly variable, being determined by in-force policy counts, further reducing the Company's exposure to expense risk.

***4101* Annuity Transfer**

On 1 September 2005 the Company sold, subject to Court approval, a substantial part of its pension annuity business that was in force at 1 January 2005 to Prudential Pensions Limited (Prudential).

Court approval for a funds transfer under Section 105 of the Financial Services and Markets Act 2000 has been applied for and the hearing is scheduled for June 2006. However prior to Court approval this business continues to be underwritten by the Company and 100% reassured to Prudential. To this effect from 1 September 2005 the Company entered into a reinsurance agreement with Prudential under which the annuity business sold was 100% reassured to Prudential. On 1 September 2005 a reinsurance premium of £1,494,282k was paid to Prudential. This is shown in Form 41, line 14 column 2.

***4102* Negative premiums**

The amount shown on Form 41 line 12 column 1 has a negative value mainly due to the refund of unearned premium on certain single premium Group Creditor contracts written prior to 2005 that covered policy loans typically lasting 5 to 10 years.

Supplementary Notes

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

***4401* Basis of valuation of assets**

Investments and assets held to cover linked liabilities are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties are valued annually at open market value.

***4500* Omission of forms**

Form 45 has not been prepared as all entries, including comparatives, would be blank.

4801

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the definition of with-profits fund.

4802

Expected income includes income in respect of securities which may be in default.

4803

The Company holds a number of securities the coupons of which change from fixed amounts to variable amounts on pre-determined dates. The issuer of the security has the option to redeem the bond on that date and the information presented assumes that this will be the case.

4804

Other assets include:

- short term deposits where the expected return is a short-term interest rate; and
- cash, swaptions and other current assets where there is no expected return.

4805

There is no entry in Form 13 line 87 column 1.

4806

The asset mix underlying an individual policy asset shares varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate. The assets (with market value as at the end of the valuation period) used to calculate investment returns shown in lines 21-29 are:

Asset Type	Market Value (£m)
Land and buildings	851
Approved fixed interest securities	2316
Other fixed interest securities	1520
Variable interest securities	189
UK listed equity shares	815
Non-UK listed equity shares	412
Other assets	29

4807

A single investment return has been calculated for approved, other fixed interest and variable interest securities and is reported in column 5 for these categories.

Supplementary Notes

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

4808

The Company holds a number of swaps in connection with its fixed interest assets. The net value of the swaps is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to fixed interest securities as described in Appendix 9.4 paragraph 4 (9) in proportion to the market value of the underlying fixed interest securities. The yield shown in column 4 reflects the overall impact of this aggregation. For fixed interest securities the expected income relates to the fixed interest assets shown in column 1.

4809

The entry in Line 33 column 5 is after tax.

4901

Ratings shown are the weaker of ratings provided by Moody's Investors Service and Standard & Poor's Corporation.

4902

The value of assets in column 1 corresponds to the value of assets in column 2 of Form 48 but ignoring the swap apportionment referred to in note 4809. The yields in columns 3 and 4 exclude the economic effect of the swap apportionment.

5103

Gross reserves for product code 435 Miscellaneous non-profit – Maturities on Deposit of £87,976k in UK Pension / Gross and £12,183k in Overseas / Gross relates to pensions products where the policyholder has passed their retirement age and not taken their retirement benefits.

***5500* Omission of forms**

Form 55 has not been prepared as all entries would be blank.

5901

Abbreviations in column 8:

ROF = Return of Fund

RWI = Return of Premiums with Interest

FV = Face Value

IPA = Initial Policyholder Account

SA + B = Sum Assured + Bonuses

Statement of Additional Information on Derivative Contracts required by rule 9.29

Phoenix Life & Pensions Limited

Financial year ended 31st December 2005

Statement pursuant to rule 9.29

- a) The Company has investment guidelines which indicate that derivative contracts are used primarily for the purpose of efficient portfolio management or reduction of investment risks which specify the types of derivative contracts which may be used and indicate the processes to be used in selecting and managing derivative contracts. The guidelines also require regular monitoring and reporting of open positions.
- b) The guidelines operated by the Company for the use of derivative contracts do not include any provisions for the use of contracts under which the Company has a right or obligation to acquire or dispose of assets which was not, at the time the contract was entered into, reasonably likely to be exercised.
- c) The Company was not a party to any such contracts of the kind described in b) at any time during the financial year.
- d) The derivative assets held are valued at market value. There would be no material change in value of any assets on Form 13 if these contracts were closed as at 31 December 2005
- e) The position under d) would not be different if such options were exercised in such a way as to change the amounts referred to in d) to the maximum extent.
- f) The position under d) would not have been materially different at any other time during the relevant financial year.
- g) The maximum loss which would be incurred by the Company in the event of failure by any one other person to fulfil its obligations under these contracts at the end of the financial year under existing and other foreseeable market conditions was £39,550,000.

The maximum loss any other time during the relevant financial year was £39,550,000.

- h) All derivative assets held during the relevant financial year are admissible.
- i) The company received £117,815 during the year in return for granting rights under derivative contracts. Summary of contracts in force during the year were as follows:

Put Option for 1,906,000 shares in Shell

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

Statement Pursuant to rule 9.30

1. On 15th April 2005 Royal & Sun Alliance Life & Pensions Limited changed its name to Phoenix Life & Pensions Limited. The following persons have, to the knowledge of Phoenix Life & Pensions Limited (the Company), been shareholder controllers of the Company during the year ended 31st December 2005 in descending order of parentage:
 - Resolution plc
 - Resolution Life Group Limited
 - Resolution Life Limited
 - RLG With Profit Holdings Limited
2. As at 31st December 2005, the shareholder controllers held 100% of the ordinary shares of its immediate subsidiary company together with the whole of the voting power at any general meeting.

**INFORMATION ON THE ACTUARY APPOINTED TO PERFORM
THE WITH-PROFITS ACTUARY FUNCTION**

In accordance with Rule 9.36 of the Interim Prudential Sourcebook for Insurers, the Actuary appointed to perform the With-Profits Actuary function of Phoenix Life & Pensions Ltd has been requested to furnish the particulars required in paragraph 1 of the Rule and has accordingly furnished the following statement. The Company has reviewed the requirements of Rule 9.36 and is not aware of any further information to that provided by the Actuary.

Particulars of Shareholdings

The With-Profits Actuary to the Company had no interest during the period from 1st January 2005 to 31st December 2005 in the share capital of the ultimate holding company.

Particulars of Pecuniary Interests

There were no contracts of insurance in existence between the With-Profits Actuary and companies in the Resolution group.

Particulars of Remuneration, Benefits, Directors Emoluments, Pensions or Compensation

The aggregate amount receivable by way of remuneration and the value of other benefits under a contract of employment with Resolution was £142,939 during 2005.

The With-Profits Actuary was a member of the Royal Insurance Group Staff Pension Scheme until 31st August 2005 and then joined the Phoenix Life Group Pension Scheme on normal staff terms. The figure shown above excludes the relevant contributions.

Note:

The above information relates to Mr A E Burke the With-Profits Actuary from 1st January 2005.

Certificate required by rule 9.34

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

We certify that:

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

G L SINGLETON
.....
Director

R CRAINE
.....
Director

R E K GREENFIELD
.....
Director

29 March 2006

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

- (3) Paragraph (2)(c) which relates to the management of the with profits fund in accordance with the Principles and Practices of Financial Management (PPFM) has been omitted from the return due to certain minor instances where the management of the fund differed from the published PPFM but these were consistent with intended past and future practice and are not considered to have resulted in the unfair treatment of policyholders.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Phoenix Life & Pensions Limited

Global business

Financial year ended 31st December 2005

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

- Forms 2, 3, 11 to 19, 40 to 44, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statements required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

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

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

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports) under the provisions of the Rules. Under rule 9.11 the Forms, the statements, the valuation report and the realistic valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3 and 7.4.

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.

Basis of opinion

We conducted our work in accordance with Practice Note 20, 'The audit of insurers in the United Kingdom' and Bulletin 2004/5 'Supplementary guidance for auditors of insurers in the United Kingdom' 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 30 March 2006. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (a) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3 and 7.4.

Ernst & Young LLP
Registered Auditor
London

30 March 2006