Phoenix & London Assurance Limited

Annual FSA Insurance Returns for the year ended

31 December 2007

Appendices 9.1, 9.3, 9.4, 9.4A and 9.6

PHOENIX & LONDON ASSURANCE LIMITED

Year Ended 31st December 2007

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PHOENIX & LONDON ASSURANCE LIMITED

Year Ended 31st December 2007

Contents

Form 2

Statement of solvency - long-term insurance business

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

Solo solvency calculation

	Company registration number	GL/UK/CM	day	month	year	Units
R2	894616	GL	31	12	2007	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	361198	294342
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	406138	477531
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	767336	771873
Guarantee fund			
Guarantee fund requirement	21	78824	84519
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	688512	687354
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	236473	253558
Resilience capital requirement	32		
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	236473	253558
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	236473	253558
Excess (deficiency) of available capital resources to cover 50% of MCR	37	453631	446762
Excess (deficiency) of available capital resources to cover 75% of MCR	38	589981	581705
Enhanced capital requirement			
With-profits insurance capital component	39	154137	122956
Enhanced capital requirement	40	390610	376514
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	390610	376514
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	376726	395359
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Covering Sheet to Form 2

Form 2

Name of insurer	**Phoenix & London Assurance Limited**
Global business	
Financial year ended	**31 December 2007**

....	G L Singleton	**Chief Executive**
....	R P Stockton	**Director**
....	M J Merrick	**Director**

Date: 26 March 2008

Components of capital resources

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	894616	GL	31	12	2007	£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		81000	81000	81000
Profit and loss account and other reserves	12		316987	316987	302919
Share premium account	13				
Positive valuation differences	14		132189	132189	175377
Fund for future appropriations	15		41692	41692	14245
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		571868	571868	573541
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		571868	571868	573541
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		571868	571868	573541

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	894616	GL	31	12	2007	£000

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

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	894616	GL	31	12	2007	£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		771868	771868	773541
Inadmissible assets other than intangibles and own shares	73		4532	4532	1668
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		767336	767336	771873
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		767336	767336	771873
Available capital resources for 50% MCR requirement	82		571868	571868	573541
Available capital resources for 75% MCR requirement	83		767336	767336	771873
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Form 11

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

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

Long term insurance business

	Company registration number	GL/ UK/ CM	day	month	year	Units
R11	894616	GL	31	12	2007	£000

			This financial year 1	Previous year 2
Gross premiums written		11	16639	18155
Premiums taxes and levies (included in line 11)		12		
Premiums written net of taxes and levies (11-12)		13	16639	18155
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	16639	18155
Gross premiums earned		21	16639	18155
Premium taxes and levies (included in line 21)		22		
Premiums earned net of taxes and levies (21-22)		23	16639	18155
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	16639	18155
Sub-total I (higher of sub-total A and sub-total H)		30	16639	18155
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	2995	3268
	Excess (if any) over 53.1M EURO x 0.02	33		
Sub-total J (32-33)		34	2995	3268
Claims paid in period of 3 financial years		41	42930	37516
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	35968	35321
	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	49041	41739
	For insurance business accounted for on an accident year basis	45		
Sub-total C (41+42+43-44-45)		46	29857	31098
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	28152	29651
Sub-total D (46-47)		48	1705	1447
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)		49	0.50	0.50
Premiums amount (Sub-total J x reinsurance ratio)		50	1498	1634
Provision for claims outstanding (before discounting and net of reinsurance)		51	645	645
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52		
Brought forward amount (See instruction 4)		53	1634	1090
Greater of lines 50 and 53		54	1634	1634

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

Long term insurance business

	Company registration number	GL/ UK/ CM	day	month	year	Units
R12	**894616**	**GL**	**31**	**12**	**2007**	**£000**

			This financial year 1	Previous year 2
Reference period (No. of months) See INSPRU 1.1.63R		**11**	36	36
Claims paid in reference period		**21**	42930	37516
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	**22**	35968	35321
	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**	49041	41739
	For insurance business accounted for on an accident year basis	**25**		
Claims incurred in reference period (21+22+23-24-25)		**26**	29857	31098
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**	29857	31098
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)		**31**	9952	10366
Division of sub-total F (gross adjusted claims amount)	x 0.26	**32**	2588	2695
	Excess (if any) over 37.2M EURO x 0.03	**33**		
Sub-total G (32-33)		**39**	2588	2695
Claims amount Sub-total G x reinsurance ratio (11.49)		**41**	1294	1348
Higher of premiums amount and brought forward amount (11.54)		**42**	1634	1634
General insurance capital requirement (higher of lines 41 and 42)		**43**	1634	1634

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2007	£000	1

			As at end of this financial year 1	As at 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	1201	1201
	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	325291	28012
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	48843	155648
	Other	46		268000
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	28453	17567
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2007	£000	1

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78		
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	7655	8209
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	1091	3755
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	412534	482392

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2007	£000	1

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

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	**91**	412534	482392
Admissible assets in excess of market and counterparty limits	**92**		
Inadmissible assets directly held	**93**		
Capital resources requirement deduction of regulated related undertakings	**94**		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	**95**		
Inadmissible assets of regulated related undertakings	**96**		
Book value of related ancillary services undertakings	**97**		
Other differences in the valuation of assets (other than for assets not valued above)	**98**		
Deferred acquisition costs excluded from line 89	**99**		
Reinsurers' share of technical provisions excluded from line 89	**100**		
Other asset adjustments (may be negative)	**101**	189310	102981
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	**102**	601844	585373

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

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2007	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11		1175
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		351752
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	242388	
	Debts and loans	30		
Other financial investments				
Equity shares		41	301556	364705
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	123778	120007
Rights under derivative contracts		44	137592	246157
Fixed interest securities	Approved	45	3222468	3253480
	Other	46	1542668	1584426
Variable interest securities	Approved	47	145309	136502
	Other	48	16139	16263
Participation in investment pools		49		
Loans secured by mortgages		50		4166
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	5780	2447
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	11806	12210
	More than one month withdrawal	55	4655	
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	44198	41640
	Property linked	59	2804	3421

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2007	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	55	2310
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	725	829
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	80301	18273
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	45847	6151
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	70641	66107
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	1590	209
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	6000300	6232230

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	894616	GL	31	12	2007	£000	10

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

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	6000300	6232230
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	4532	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1516252	1662691
Other asset adjustments (may be negative)	101	(194643)	(207664)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7326441	7687257

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

Form 14

Long term insurance business liabilities and margins

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

Total business **10 Total Business**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	5402725	5743512
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	5403225	5744012
Claims outstanding	Gross	15	63463	50412
	Reinsurers' share	16	2046	2046
	Net (15-16)	17	61417	48366
Provisions	Taxation	21		4270
	Other risks and charges	22	484	866
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	6721	988
	Reinsurance accepted	32		
	Reinsurance ceded	33		1408
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	167650	138372
Accruals and deferred income		39	105	106
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	236377	194376
Excess of the value of net admissible assets		51	360698	293842
Total liabilities and margins		59	6000300	6232230

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		2652
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2804	3680

Total liabilities (11+12+49)	71	5639102	5937888
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1516252	1662691
Other adjustments to liabilities (may be negative)	74	129395	72433
Capital and reserves and fund for future appropriations	75	41692	14245
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	7326441	7687257

Liabilities (other than long term insurance business)

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/UK/CM	day	month	year	Units
R15	894616	GL	31	12	2007	£000

			As at end of this financial year 1	As at end of the previous year 2
Technical provisions (gross amount)				
Provisions for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other technical provisions		16		
Total gross technical provisions (11 to 16)		19		
Provisions and creditors				
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	5118	3407
	Foreseeable dividend	48		
	Other	49	1278	1454
Accruals and deferred income		51		
Total (19 to 51)		59	6396	4861
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	200000	200000
Total (59 to 63)		69	206396	204861

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	201278	201454

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(2539)	(3407)
Capital and reserves	84	397987	383919
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	601844	585373

Form 16

Profit and loss account (non-technical account)

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R16	894616	GL	31	12	2007	£000

			This financial year 1	Previous year 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	(101873)	3098
Investment income	Income	14	38595	31590
	Value re-adjustments on investments	15	5048	
	Gains on the realisation of investments	16		
Investment charges	Investment management charges, including interest	17	15549	12067
	Value re-adjustments on investments	18		7113
	Loss on the realisation of investments	19	7890	1054
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	(4145)	4840
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	(85814)	19294
Tax on profit or loss on ordinary activities		31	5118	3407
Profit or loss on ordinary activities after tax (29-31)		39	(90932)	15887
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	(90932)	15887
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	(90932)	15887

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	894616	GL	31	12	2007	£000	10

Derivative contracts			As at the end of this financial year Assets 1	As at the end of this financial year Liabilities 2	As at the end of the previous year Assets 3	As at the end of the previous year Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12	120	96	156	21
	Land	13				
	Currencies	14	92	60	11	10
	Other	15				
Options	Fixed-interest securities	21				
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25	27496		80972	
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35	109883	136622	165018	102913
Adjustment for variation margin		41				
Total (11 to 41)		49	137592	136777	246157	102944

With-profits insurance capital component for the fund

Name of insurer	**Phoenix & London Assurance Limited**
With-profits fund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	**11**	6000300	6232230
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	**13**	1056774	971646
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	**14**		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	**15**		
	Total (11+12-(13+14+15))	**19**	4943526	5260584
	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	4345951	4771866
	Regulatory current liabilities of the fund	**22**	443368	300764
	Total (21+22)	**29**	4789319	5072630
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	236473	253558
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		**39**	5025792	5326188
Regulatory excess capital (19-39)		**49**	(82266)	(65604)

Realistic excess capital

Realistic excess capital	**51**	(184742)	(167440)

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	**61**	102476	101837
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	**62**	206991	106388
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	**63**	137020	54758
Present value of future shareholder transfers arising from distribution of surplus	**64**	18309	30511
Present value of other future internal transfers not already taken into account	**65**		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	**66**	154137	122956

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer	**Phoenix & London Assurance Limited**
With-profits fund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
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	4943526	5260584
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	(25344)	3747
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	4918182	5264331
Support arrangement assets		27		
Assets available to the fund (26+27)		29	4918182	5264331
Realistic value of liabilities of fund				
With-profits benefit reserve		31	3737976	4148414
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	17300	38130
	Planned enhancements to with-profits benefits reserve	34	1797	2078
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	332923	313034
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	478419	433888
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	709422	789459
	Future costs of smoothing (possibly negative)	44	4895	847
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	83925	124460
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	928235	999568
Realistic current liabilities of the fund		51	251971	116349
Realistic value of liabilities of fund (31+49+51)		59	4918182	5264331

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer	**Phoenix & London Assurance Limited**
With-profits fund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	**62**	5102925	5431771
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**	5102925	5431771
Risk capital margin for fund (62-59)	**65**	184742	167440
Realistic excess capital for fund (26-(59+65))	**66**	(184742)	(167440)
Realistic excess available capital for fund (29-(59+65))	**67**	(184742)	(167440)
Working capital for fund (29-59)	**68**		
Working capital ratio for fund (68/29)	**69**		

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

Additional amount potentially available for inclusion in line 62	**81**	358416	364849
Additional amount potentially available for inclusion in line 63	**82**		

Long-term insurance business : Revenue account

Name of insurer	**Phoenix & London Assurance Limited**
Total business	**10 Total Business**
Financial year ended	**31 December 2007**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	192547	192245
Investment income receivable before deduction of tax	12	278910	288427
Increase (decrease) in the value of non-linked assets brought into account	13	(348079)	(326412)
Increase (decrease) in the value of linked assets	14	(428)	128
Other income	15		
Total income	19	122950	154388
Expenditure			
Claims incurred	21	568738	531777
Expenses payable	22	25551	29916
Interest payable before the deduction of tax	23	10237	12866
Taxation	24	(38916)	8118
Other expenditure	25		
Transfer to (from) non technical account	26	(101873)	3098
Total expenditure	29	463737	585775
Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(340787)	(431387)
Fund brought forward	49	5744012	6175399
Fund carried forward (39+49)	59	5403225	5744012

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix & London Assurance Limited**
Total business	**10 Total Business**
Financial year ended	**31 December 2007**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	112414	36938	399	149751	171403
Single premiums	12	(23)	114068	818	114863	103565
Reinsurance - external						
Regular premiums	13	1632	83	16	1731	1813
Single premiums	14					13379
Reinsurance - intra-group						
Regular premiums	15	38206	19473	141	57820	64238
Single premiums	16	(8)	12524		12516	3293
Net of reinsurance						
Regular premiums	17	72576	17382	242	90200	105352
Single premiums	18	(15)	101544	818	102347	86893
Total						
Gross	19	112391	151006	1217	264614	274968
Reinsurance	20	39830	32080	157	72067	82723
Net	21	72561	118926	1060	192547	192245

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix & London Assurance Limited**
Total business	**10 Total Business**
Financial year ended	**31 December 2007**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	55207	6003	136	61346	55634
Disability periodic payments	12	5909			5909	5492
Surrender or partial surrender	13	210917	154359	328	365604	341991
Annuity payments	14	2494	23961	1437	27892	40852
Lump sums on maturity	15	174339	113782	1980	290101	288938
Total	16	448866	298105	3881	750852	732907
Reinsurance - external						
Death or disability lump sums	21	397			397	972
Disability periodic payments	22	216			216	491
Surrender or partial surrender	23					
Annuity payments	24			124	124	18076
Lump sums on maturity	25					
Total	26	613		124	737	19539
Reinsurance - intra-group						
Death or disability lump sums	31	28007	2169	50	30226	22587
Disability periodic payments	32	5648			5648	4978
Surrender or partial surrender	33	58864	66334	1	125199	130805
Annuity payments	34					
Lump sums on maturity	35	9220	11084		20304	23221
Total	36	101739	79587	51	181377	181591
Net of reinsurance						
Death or disability lump sums	41	26803	3834	86	30723	32075
Disability periodic payments	42	45			45	23
Surrender or partial surrender	43	152053	88025	327	240405	211186
Annuity payments	44	2494	23961	1313	27768	22776
Lump sums on maturity	45	165119	102698	1980	269797	265717
Total	46	346514	218518	3706	568738	531777

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix & London Assurance Limited**
Total business	**10 Total Business**
Financial year ended	**31 December 2007**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					(304)
Commission - other	12	1661	1103		2764	3251
Management - acquisition	13	6	4		10	4486
Management - maintenance	14	10693	7101	250	18044	21600
Management - other	15	4838	3213		8051	4047
Total	16	17198	11421	250	28869	33080
Reinsurance - external						
Commission - acquisition	21					3
Commission - other	22	181	121		302	112
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	181	121		302	115
Reinsurance - intra-group						
Commission - acquisition	31	55	37		92	293
Commission - other	32	1757	1167		2924	2756
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	1812	1204		3016	3049
Net of reinsurance						
Commission - acquisition	41	(55)	(37)		(92)	(600)
Commission - other	42	(277)	(185)		(462)	383
Management - acquisition	43	6	4		10	4486
Management - maintenance	44	10693	7101	250	18044	21600
Management - other	45	4838	3213		8051	4047
Total	46	15205	10096	250	25551	29916

Long-term insurance business : Linked funds balance sheet

Name of insurer	**Phoenix & London Assurance Limited**
Total business	
Financial year ended	**31 December 2007**
Units	**£000**

		Financial year 1	Previous year 2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11	854	608
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		825
Total assets (excluding cross investment) (11+12+13)	14	854	1433
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		7
Total net assets (14-15-16-17)	18	854	1426
Directly held linked assets			
Value of directly held linked assets	21	1950	1995
Total			
Value of directly held linked assets and units held (18+21)	31	2804	3421
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	2804	3421

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

Name of insurer: **Phoenix & London Assurance Limited**

Total business

Financial year ended: **31 December 2007**

Units: **£000**

		Financial year 1	Previous year 2
Income			
Value of total creation of units	11		
Investment income attributable to the funds before deduction of tax	12	106	68
Increase (decrease) in the value of investments in the financial year	13	(428)	200
Other income	14		
Total income	19	(322)	268
Expenditure			
Value of total cancellation of units	21	245	284
Charges for management	22	5	8
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	250	292
Increase (decrease) in funds in financial year (19-29)	39	(572)	(24)
Internal linked fund brought forward	49	1426	1450
Internal linked funds carried forward (39+49)	59	854	1426

Form 46

Long-term insurance business : Summary of new business

Name of insurer: **Phoenix & London Assurance Limited**

Total business

Financial year ended: **31 December 2007**

Units: **£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	11	64	86		150	210
Single premium business	12	3	3870	17	3890	4223
Total	13	67	3956	17	4040	4433
Amount of new regular premiums						
Direct insurance business	21	38	98		136	1844
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	38	98		136	1844
Amount of new single premiums						
Direct insurance business	25	59	113097	983	114139	105618
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	59	113097	983	114139	105618

Long-term insurance business : Analysis of new business

Name of insurer	Phoenix & London Assurance Limited
Total business	
Financial year ended	31 December 2007
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	64	38		
395	Annuity non-profit (PLA)			3	59

Long-term insurance business : Analysis of new business

Name of insurer	Phoenix & London Assurance Limited
Total business	
Financial year ended	31 December 2007
Units	£000
UK Pension / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
155	Conventional pensions endowment with-profits	1	0	35	21
390	Deferred annuity non-profit			54	903
400	Annuity non-profit (CPA)			3773	108209
525	Individual pensions UWP				624
725	Individual pensions property linked	72	90		3165
735	Group money purchase pensions property linked	13	7		
905	Index linked annuity			8	175

Long-term insurance business : Analysis of new business

Name of insurer	Phoenix & London Assurance Limited
Total business	
Financial year ended	31 December 2007
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
395	Annuity non-profit (PLA)			14	850
400	Annuity non-profit (CPA)			3	132

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix & London Assurance Limited**
Category of assets	**10 Long - term insurance business assets: Assets not held to match linked liabilities**
Financial year ended	**31 December 2007**
Units	**£000**

		Unadjusted assets 1	Economic exposure 2	Expected income from assets in column 2 3	Yield before adjustment 4	Return on assets in financial year 5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	11					
Approved fixed interest securities	12	771025	788557	38928	4.48	
Other fixed interest securities	13	216297	221215	11870	6.24	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	22450				
Total	19	1009772	1009772	50797	4.87	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21		242388	18300	7.55	(28.55)
Approved fixed interest securities	22	2484622	2541117	125355	4.54	3.60
Other fixed interest securities	23	1360607	1391545	74666	6.24	3.60
Variable interest securities	24	162646	162646	3068	1.28	7.58
UK listed equity shares	25	212041	230568	7171	4.74	1.13
Non-UK listed equity shares	26	89516	104606	275117	3.44	12.14
Unlisted equity shares	27					
Other assets	28	634095	270656	8120	3.06	7.58
Total	29	4943526	4943526	511797	4.97	2.44
Overall return on with-profits assets						
Post investment costs but pre-tax	31					0.30
Return allocated to non taxable 'asset shares'	32					1.00
Return allocated to taxable 'asset shares'	33					(0.10)

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix & London Assurance Limited**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2007**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	2547518	11.65	4.51	4.51
Other approved fixed interest securities	**21**	708129	6.59	4.88	4.88
Other fixed interest securities					
AAA/Aaa	**31**	368246	11.14	5.50	5.42
AA/Aa	**32**	384497	6.18	5.92	5.80
A/A	**33**	658053	6.98	6.57	6.33
BBB/Baa	**34**	160973	9.25	7.49	6.83
BB/Ba	**35**	5136	5.51	21.34	18.80
B/B	**36**				
CCC/Caa	**37**				
Other (including unrated)	**38**				
Total other fixed interest securities	**39**	1576904	7.98	6.30	6.08
Approved variable interest securities	**41**	146395	16.42	1.04	1.04
Other variable interest securities	**51**	16251	16.24	3.50	3.50
Total (11+21+39+41+51)	**61**	4995197	9.93	5.02	4.95

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix & London Assurance Limited**

Total business / subfund **10 Ordinary Long Term Business**

Financial year ended **31 December 2007**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	1269724	3028192	11413	4309329	4685311
Form 51 - non-profit	12	215345	899416	27138	1141899	1098342
Form 52	13	234766	129555		364322	475519
Form 53 - linked	14	46280	896689		942969	957067
Form 53 - non-linked	15	1024	23389		24413	22676
Form 54 - linked	16	22091	20852	1255	44198	41640
Form 54 - non-linked	17					
Total	18	1789231	4998093	39806	6827130	7280556
Reinsurance - external						
Form 51 - with-profits	21	954			954	1026
Form 51 - non-profit	22	6737	93	3554	10384	12892
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	7691	93	3554	11338	13918
Reinsurance - intra-group						
Form 51 - with-profits	31	8124			8124	8810
Form 51 - non-profit	32	121580	644	71	122295	159124
Form 52	33	192412	130197		322609	383334
Form 53 - linked	34	43476	896689		940165	953646
Form 53 - non-linked	35	473	23389		23862	22418
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	366064	1050919	71	1417054	1527331
Net of reinsurance						
Form 51 - with-profits	41	1260647	3028192	11413	4300252	4675475
Form 51 - non-profit	42	87028	898679	23513	1009220	926326
Form 52	43	42354	(642)		41712	92185
Form 53 - linked	44	2804			2804	3422
Form 53 - non-linked	45	552			552	258
Form 54 - linked	46	22091	20852	1255	44198	41640
Form 54 - non-linked	47					
Total	48	1415475	3947081	36181	5398738	5739307

Form 51
(Sheet 1)

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

Name of insurer	Phoenix & London Assurance Limited
Total business / subfund	10 Ordinary Long Term Business
Financial year ended	31 December 2007
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	4685	51482	671				26396
120	Conventional endowment with-profits OB savings	21841	105691	6497				83690
125	Conventional endowment with-profits OB target cash	121653	2263957	51204				1144758
210	Additional reserves with-profits OB			156				14881
300	Regular premium non-profit WL/EA OB	53391	95241	3663				58462
305	Single premium non-profit WL/EA OB	543	1727	7				1728
325	Level term assurance	52442	8020863	22200				26716
330	Decreasing term assurance	7824	251721	1707				549
345	Accelerated critical illness (reviewable premiums)		729832	2570				3855
355	Stand-alone critical illness (reviewable premiums)	7215	755459	2777				4166
360	Income protection non-profit (guaranteed premiums)	25636	364648	13032				40362
365	Income protection non-profit (reviewable premiums)	6	17974	0				659
380	Miscellaneous protection rider		260259	548				150
385	Income protection claims in payment		5188					33622
390	Deferred annuity non-profit	491	32	0				873

Form 51
(Sheet 2)

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
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
395	Annuity non-profit (PLA)	1298	1969					21041
410	Group life	54	115050	4				99
435	Miscellaneous non-profit	545	108369	455				685
440	Additional reserves non-profit OB			323				22376

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		1373	4				954
120	Conventional endowment with-profits OB savings							
125	Conventional endowment with-profits OB target cash							
210	Additional reserves with-profits OB			0				
300	Regular premium non-profit WL/EA OB		882	3				314
325	Level term assurance		84841	320				721
330	Decreasing term assurance		25777	176				48
360	Income protection non-profit (guaranteed premiums)		10939	391				1211
385	Income protection claims in payment		156					1009
435	Miscellaneous non-profit		40487	197				3435
440	Additional reserves non-profit OB							

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
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
100	Conventional endowment with-profits OB savings		120	0				83
120	Conventional endowment with-profits OB savings		1257	20				1044
125	Conventional endowment with-profits OB target cash		12416	330				6997
300	Regular premium non-profit WL/EA OB		285	1				101
325	Level term assurance		6474489	17100				20459
330	Decreasing term assurance		215498	1470				400
345	Accelerated critical illness (reviewable premiums)		681096	2424				3636
355	Stand-alone critical illness (reviewable premiums)		731170	2708				4063
360	Income protection non-profit (guaranteed premiums)		353708	12642				39151
380	Miscellaneous protection rider		260259	548				150
385	Income protection claims in payment		5032					32613
395	Annuity non-profit (PLA)		0					1
435	Miscellaneous non-profit		13082	79				5
440	Additional reserves non-profit OB			376				21000

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
155	Conventional pensions endowment with-profits	101805	3131988	12454				2431472
165	Conventional deferred annuity with-profits	8101	62	555				220252
185	Group conventional pensions endowment with-profits	11647	415233	2239				339460
210	Additional reserves with-profits OB			59				37007
305	Single premium non-profit WL/EA OB	5337	109384					149584
325	Level term assurance	2411	156024	546				1229
380	Miscellaneous protection rider	1	7967	82				1912
390	Deferred annuity non-profit	10697	29689					379409
400	Annuity non-profit (CPA)	13961	32800	4				360953
435	Miscellaneous non-profit	8	170214	10				6086
440	Additional reserves non-profit OB			47				242

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		14141	47				93
390	Deferred annuity non-profit							
435	Miscellaneous non-profit		223	1				
440	Additional reserves non-profit OB			2				

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		87192	291				574
400	Annuity non-profit (CPA)		4					70
435	Miscellaneous non-profit		1373	5				
440	Additional reserves non-profit OB			12				

Form 51
(Sheet 1)

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	25	708	5				363
120	Conventional endowment with-profits OB savings	117	2148	58				1274
155	Conventional pensions endowment with-profits	183	7583	79				5696
165	Conventional deferred annuity with-profits	24	43	3				663
185	Group conventional pensions endowment with-profits	45	3115					2642
205	Miscellaneous conventional with-profits	25	58	12				775
210	Additional reserves with-profits OB			1				
300	Regular premium non-profit WL/EA OB	38	151	1				117
325	Level term assurance	220	29591	124				125
330	Decreasing term assurance	117	9003	46				6
390	Deferred annuity non-profit	85	316					3656
400	Annuity non-profit (CPA)	261	1918					23212
410	Group life	1						10
435	Miscellaneous non-profit	1	9	0				9
440	Additional reserves non-profit OB			11				4

Form 51
(Sheet 1)

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

Name of insurer	Phoenix & London Assurance Limited
Total business / subfund	10 Ordinary Long Term Business
Financial year ended	31 December 2007
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
325	Level term assurance		1240	5				4
330	Decreasing term assurance		391	2				0
400	Annuity non-profit (CPA)		248					3550
435	Miscellaneous non-profit		1					0
440	Additional reserves non-profit OB			0				

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
Overseas / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		22312	89				66
330	Decreasing term assurance		7027	37				5
435	Miscellaneous non-profit							
440	Additional reserves non-profit OB			7				

Form 52

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	9691	216118		213660	199527	11784	211311
505	Life UWP whole life regular premium	3587	120024	2060	5104	2283	5438	7721
510	Life UWP endowment regular premium - savings	502	2805	235	2353	2078	284	2362
515	Life UWP endowment regular premium - target cash	1710	50546	1504	13278	10168	3204	13373

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium		195802		193863	185947	6365	192311
505	Life UWP whole life regular premium		114921				75	75
510	Life UWP endowment regular premium - savings		452	1			0	0
515	Life UWP endowment regular premium - target cash		37268	87			25	25

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

Name of insurer	Phoenix & London Assurance Limited
Total business / subfund	10 Ordinary Long Term Business
Financial year ended	31 December 2007
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	9832	90990	2194	86524	51389	36248	87637
535	Group money purchase pensions UWP	689	42469	3039	42469	31767	10793	42560
610	Additional reserves UWP				(642)	(642)		(642)

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		90990	2194	86524	51389	36248	87637
535	Group money purchase pensions UWP		42469	3039	42469	31767	10793	42560

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	1248	33784		33857	33857	623	34480
710	Life property linked whole life regular premium	3952	418268	3391	12424	12424	401	12825
715	Life property linked endowment regular premium - savings							

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		32337		32017	32017	208	32224
710	Life property linked whole life regular premium		370918	2960	11459	11459	265	11724

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
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	79225	879916	12139	863570	845374	22780	868154
735	Group money purchase pensions property-linked	2701	52353	1163	52353	51315	609	51924

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		879916	12139	863570	845374	22780	868154
735	Group money purchase pensions property-linked		52353	1163	52353	51315	609	51924

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	34	579			22091		22091

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

Name of insurer	**Phoenix & London Assurance Limited**
Total business / subfund	**10 Ordinary Long Term Business**
Financial year ended	**31 December 2007**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	151	1954			20603		20603
910	Miscellaneous index linked	28	214			250		250

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

Name of insurer	Phoenix & London Assurance Limited
Total business / subfund	10 Ordinary Long Term Business
Financial year ended	31 December 2007
Units	£000
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	3	120			1255		1255

Long-term insurance business : Unit prices for internal linked funds

Name of insurer	**Phoenix & London Assurance Limited**
Total business	
Financial year ended	**31 December 2007**
Units	**£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Immediate Annuity Fund	07 - life - property	854		0.375	5.2590	4.5755	(13.00)

Form 56

Long-term insurance business : index linked business

Name of insurer Phoenix & London Assurance Limited

Total business

Financial year ended 31 December 2007

Units £000

Type of assets and liabilities	Name of index link 1	Value of assets or liabilities 2	Gross derivative value 3
Index Linked Gilts	RPI	44198	
Total assets		44198	
Total liabilities			
Net total assets		44198	

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix & London Assurance Limited**

Total business **10 Ordinary Long Term Business**

Financial year ended **31 December 2007**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 endowment assurances	1221682	4.30	5.24	5.51
UK Pens NP Form 51 annuities in payment (including associated reversionary benefits)	391948		5.65	5.95
UK Pens NP Form 51 assurances	443440		3.93	4.49
UK Pens WP Form 51 pure endowments and deferred annuities:				
with ongoing premiums	712679		4.19	4.45
other	2288275		4.80	5.07
Misc	297700	n/a	n/a	
Total	5355723			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer: **Phoenix & London Assurance Limited**

Total business / subfund: **10 Ordinary Long Term Business**

Financial year ended: **31 December 2007**

Units: **£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	11	5403225	5744012
Bonus payments in anticipation of a surplus	12	26085	24727
Transfer to non-technical account	13	3127	3099
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5432437	5771837
Mathematical reserves	21	5398738	5739307
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	33699	32531

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	31	500	500
Transfer from non-technical account	32	105000	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(71801)	32031
Total	39	33699	32531

Distribution of surplus

		Financial year 1	Previous year 2
Bonus paid in anticipation of a surplus	41	26085	24727
Cash bonuses	42		
Reversionary bonuses	43	3988	4205
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	30072	28932
Net transfer out of fund / part of fund	47	3127	3099
Total distributed surplus (46+47)	48	33199	32031
Surplus carried forward	49	500	500
Total (48+49)	59	33699	32531

Percentage of distributed surplus allocated to policyholders

		Financial year 1	Previous year 2
Current year	61	90.58	90.33
Current year - 1	62	90.33	90.72
Current year - 2	63	90.72	90.42
Current year - 3	64	90.42	90.44

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

Name of insurer	**Phoenix & London Assurance Limited**
Original insurer	**41 Phoenix & London Assurance Limited**
Date of maturity value / open market option	**01 March 2008**

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	5978	0	n/a	CWP	N	GMDB
Endowment assurance	15	9920	0	n/a	CWP	N	SA + B
Endowment assurance	20	18032	897	n/a	CWP	N	SA + B
Endowment assurance	25	31562	3601	n/a	CWP	N	SA + B
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	24042	1361	0	UWP	N	Return of Fund
Regular premium pension	15	45390	0	n/a	CWP	N	Return of Fund
Regular premium pension	20	88361	0	n/a	CWP	N	Return No Interest
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	13710	897	0	UWP	N	Return of Fund
Single premium pension	15	29396	0	n/a	CWP	N	Return of Fund
Single premium pension	20	54591	0	n/a	CWP	N	Return No Interest

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

Name of insurer	**Phoenix & London Assurance Limited**
Original insurer	**41 Phoenix & London Assurance Limited**
Date of surrender value	**01 March 2008**

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	5714	0	n/a	CWP	N	GMDB
Endowment assurance	15	9197	0	n/a	CWP	N	SA + B
Endowment assurance	20	18147	675	n/a	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	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	12726	0	0	UWP	N	101% FV (excl MVA)
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	13710	897	0	UWP	Y	Return of Fund

Form 60

Long-term insurance capital requirement

Name of insurer	**Phoenix & London Assurance Limited**
Global business	
Financial year ended	**31 December 2007**
Units	**£000**

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%			0.50		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	10192251	3044394		15288	16786
Classes III, VII and VIII	15	0.3%	416695	45198	0.50	625	698
Total	16		10608946	3089592		15913	17484
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1634	1634
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	5780932	5398388	0.93	53984	57387
Classes III, VII and VIII (investment risk)	33	1%	4558	1406	0.85	39	32
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1950	1950	1.00	19	20
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%	82815	982	0.85	704	1186
Class V	37	1%					
Class VI	38	1%					
Total	39					54746	5862[illegible]
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	5780932	5398388	0.93	161952	172162
Classes III, VII and VIII (investment risk)	43	3%	4558	1406	0.85	116	96
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1950	1950			
Classes III, VII and VIII (other)	45	0%	960874				
Class IV (other)	46	3%	82815	982	0.85	2112	3557
Class V	47	0%					
Class VI	48	3%					
Total	49		6831129	5402725		164180	175815
Long term insurance capital requirement	51					236473	253558

APPENDIX 9.4

PHOENIX & LONDON ASSURANCE LIMITED

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2007.

(2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2006.

(3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2006.

2. PRODUCT RANGE

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

Phoenix & London Assurance Limited has one with-profits fund which is closed to new business except by increment.

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

The Company reserves the right to apply a Market Value Reduction (MVR) to policies that invest in the Unitised With Profits (UWP) Fund.

The following products invest solely in the UWP Fund:

<u>Mortgage Savings Plan & Regular Savings Plan</u>

No MVRs have been applied on these contracts throughout the year of valuation.

<u>Unitised With Profits Bond</u>

MVRs on these contracts have been applied throughout the year of valuation to policies commencing between December 1996 and March 2001. MVRs have also been applied for parts of the year of valuation to policies commencing between September 1996 and November 1996.

<u>UWP Group Pensions</u>

MVRs on these contracts have been applied from 1 April onwards to increments to policies commencing between January and June 2007.

The following products have the option to invest in the UWP Fund as one of the funds available for the investment of contributions:

Universal Protection Plan

No MVRs have been applied on these contracts throughout the year of valuation.

Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan

MVRs on these contracts have been applied throughout the year of valuation to single premium policies or increments with entry years from 1999 to 2000 and 2006 to 2007.

For regular premium contracts, MVRs have been applied from January to April and from September to December for policies or increments commencing after 2004.

(2) Premiums on Reviewable Protection Policies

There were no changes to premium rates on reviewable non-linked protection policies since the previous valuation date.

For Progressive Protection Plan a change to premium rates is permitted but did not occur during the report period. The gross reserves for Progressive Protection Plan at the valuation date amounted to £23.4m.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

The policy charges for the following linked contracts have changed during the valuation year:

Product	Existing Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Universal Protection Plan	3.05	3.15	3.28%
Mortgage Savings Plan and Regular Savings Plan	3.60	3.75	4.17%

For Individual Personal Pension Plan, Group Personal Pension Plan, Company Pension Scheme & Company Additional Pension Scheme the monthly policy charges changed as follows:

Contribution Type	Existing Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium and increments	0.00	0.00	n/a
Paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan)	1.75	1.80	2.86%
Paid-up policies and policies on premium holidays for Group Personal Pension Plan	0.00	0.00	n/a
Single premium stand alone contracts issued before 16 October 1995	4.90	5.10	4.08%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	1.95	2.05	5.13%
Single premium stand alone contracts issued between 21 September 1998 and 9 April 2000	3.55	3.70	4.23%
Single premium stand alone contracts issued after 9 April 2000	3.15	3.25	3.17%

For Personal Additional Pension Plan the monthly policy charges changed as follows:

Contribution Type	Existing Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium policies issued before 29 January 1996	4.90	5.10	4.08%
Regular premium policies issued between 29 January 1996 and 9 April 2000	4.70	4.85	3.19%
Regular premium policies issued after 9 April 2000	3.15	3.25	3.17%
Paid-up policies and policies on premium holidays	1.75	1.80	2.86%
Single premium stand alone contracts issued before 16 October 1995	4.90	5.10	4.08%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	1.95	2.05	5.13%
Single premium stand alone contracts issued between 21st September 1998 and 9 April 2000	3.55	3.70	4.23%
Single premium stand alone contracts issued after 9 April 2000	3.15	3.25	3.17%

For Executive Pension Plan the monthly policy charges changed as follows

Contribution Type	Existing Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium policies issued before 29 January 1996	4.90	5.10	4.08%
Regular premium policies issued after 29 January 1996	4.70	4.85	3.19%
Paid-up policies and policies on premium holidays	1.75	1.80	2.86%
Single premium stand alone contracts issued before 16 October 1995	4.90	5.10	4.08%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	1.95	2.05	5.13%
Single premium stand alone contracts issued after 20 September 1998	3.55	3.70	4.23%

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in the valuation year.

(6) Accumulating With-Profits Charges

The following expenses are notionally charged to specimen policy asset shares when determining terminal bonus or MVRs for accumulating with-profits policies:

Annual maintenance expenses (net of policy fee where applicable), which changed from £28.03 p.a. to £29.98 p.a.

Charges for guarantees and smoothing were 0.9% of asset share.

Investment expenses at the rate of 0.125% p.a..

These changes apply to all accumulating with-profits business.

(7) Unit Pricing of Internal Linked Funds

Immediate Annuity Fund

Policyholder benefits consist of an annual annuity equal to the unit price multiplied by the number of units allocated to their policy. The unit price is calculated quarterly as the value of the fund, divided by the actuarial value of the units in issue.

The fund is closed to new business so no units are being created. Annuity payments and other expense are debited to the fund. Units are cancelled (and thus disregarded from the unit price calculation) when benefits stop being payable due to the death of the annuitant.

The assets of the fund mainly comprise shares in the UK Commercial Property Trust and money market funds. These assets are valued on a bid basis when determining the fund value.

Other Internal Linked Funds

Benefits attaching to other internal linked funds other than the Immediate Annuity Fund are wholly reassured ultimately 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

There is no deduction for tax within the Immediate Annuity Fund.

(9) Tax Provisions for Internal Linked Funds

There is no provision for tax within the Immediate Annuity Fund.

(10) Discounts on Unit Purchases

No commission is payable by the managers of F&C UK Equity OEIC on the purchase of units by the company. This OEIC backs the Family Fund and Equity Plan products of which only Equity Plan continues to purchase units.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used are as follows:

Gross Premium Method

Reserves for policies other than those products included in the section "Other Products" or "Accumulating With-Profits Policies" have been established using a prospective gross premium method applied to each policy.

For with-profits policies an allowance has been made for policies being surrendered or being made paid-up in the future.

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 reversionary bonus rates in accordance with the table in paragraph 4 (7) (which is consistent with treating customers fairly); and

(b) assumed future expenses per paragraph 4 (6).

(ii) the lower of:

(aa) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date, having regard to the representations of the company; and

(bb)the amount in (aa) disregarding all discretionary adjustments.

Other Products

Where benefits under property linked policies are reassured to Phoenix Life Limited, the method of calculation is fully disclosed in the Returns of that company.

Progressive Protection Plan contracts have been valued as one year's premium for life cover and one and a half-year's premium for critical illness cover.

Calculation Notes

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

Individual Permanent Health Insurance contracts with an extra premium have an additional reserve of 8.25 years' extra premiums.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

Product Group	Current Valuation	Previous Valuation
Life Business		
With-Profits Endowment Assurances	4.30%	3.53%
Other With-Profits Assurances	3.20%	3.10%
UWP Bond	3.20%	3.10%
Non-Profit Endowment Assurances	3.20%	3.30%
Other Non-Profits Assurances	3.20%	3.10%
Annuities in payment (new GAF)	5.10%	4.20%
Annuities in payment (old GAF)	5.65%	4.70%
Monies on Deposit	4.00%	4.00%
RPI Linked Annuities in payment (net)	0.65%	0.80%
PHI		
Claims In Payment	4.90%	4.35%
Other	3.80%	3.85%

Product Group	Current Valuation	Previous Valuation
Pensions Business		
With Profits Pure Endowment & With Profits Deferred Annuities – Regular premiums		
	4.19%	4.01%
With Profits Pure Endowment & With Profits Deferred Annuities – Single premiums and paid-ups:		
Initial rate	4.80%	4.81%
Reinvestment rate	4.01%	3.60%
Annuities in Payment	5.65%	4.70%
RPI Linked Annuities in payment	0.85%	1.00%
RPI Linked Deferred Annuities	0.85%	1.00%
Non-Profit Assurances	3.93%	3.98%
Non-Profit Deferred Annuities		
Pre Vesting	3.93%	3.98%
Post Vesting	3.93%	3.98%
Monies on Deposit	7.00%	7.00%

(3) Risk Adjustments

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	0.66%
BB	2.54%
B	7.22%
CCC	No value

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.

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread.

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Endowment and Whole of Life Assurances	82.0% AM92 107.1% AF92	82.0% AM92 107.1% AF92
Term Assurance - aggregate	94.5% TM92 89% TF92	94.5% TM92 89% TF92
Term Assurance - non-smoker	78.8% TM92 74% TF92	78.8% TM92 74% TF92
Term Assurance - smoker	142% TM92 142% TF92	142% TM92 142% TF92
Pensions pre-vesting and pension term assurances	53.0% AM92 59.7% AF92	53.4% AM92 60.1% AF92
Life Annuities in Payment	Modified IM80 c2010 Modified IF80 c2010	Modified IM80 c2010 Modified IF80 c2010
Pensions post vesting	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Pensions immediate annuities	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020

<u>Life annuities currently in payment</u>

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

Males: 81.3% (82.5%) of IM80 (c=2010) improving at 1.5% (1.5%) p.a.
Females: 82.0% (83.0%) of IF80 (c=2010) improving at 1.25% (1.25%) p.a.

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

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	21.37	24.29	21.23	24.17
75	13.37	15.33	13.25	15.24

Pension annuities currently in payment

Specimen percentages of the base tables used for the current and previous years valuations are:

		Current valuation		Previous valuation	
		Male	Female	Male	Female
at age	65	130.5%	124.2%	135.3%	127.8%
at age	75	78.0%	91.3%	80.6%	93.6%
at age	85	75.9%	92.9%	77.4%	94.1%
at age	95	77.7%	94.4%	78.5%	95.1%

Specimen annual improvement rates for the current valuation, dependent on calendar year, are:

Males	2008	2018	2028	2038	2048	2058
65	3.40%	2.42%	2.19%	2.00%	2.00%	1.95%
75	4.20%	3.34%	2.57%	2.09%	2.00%	1.95%
85	2.31%	2.30%	2.67%	2.21%	1.98%	1.95%
95	1.25%	1.40%	1.78%	1.88%	1.75%	1.75%

Females	2008	2018	2028	2038	2048	2058
65	2.70%	2.19%	1.88%	1.80%	1.77%	1.48%
75	3.08%	2.66%	2.09%	1.89%	1.77%	1.48%
85	1.57%	1.92%	2.21%	1.98%	1.90%	1.48%
95	0.90%	1.25%	1.55%	1.75%	1.73%	1.38%

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

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	25.25	26.38	24.44	25.59
75	15.33	16.45	14.89	16.05

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

Sample percentages of the base tables used for the current year and previous year valuations are:

		Current valuation		Previous valuation	
		Male	Female	Male	Female
up to age	55	533.6%	471.7%	547.8%	482.1%
at age	65	143.2%	130.1%	148.4%	133.9%
at age	75	85.5%	95.6%	88.4%	98.0%
at age	85	83.2%	97.3%	84.9%	98.6%
at age	95	85.2%	98.8%	86.1%	99.6%

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

Males	2008	2018	2028	2038	2048	2058
55	2.40%	1.89%	2.00%	2.00%	2.00%	1.95%
65	3.40%	2.42%	2.19%	2.00%	2.00%	1.95%
75	4.20%	3.34%	2.57%	2.09%	2.00%	1.95%
85	2.31%	2.30%	2.67%	2.21%	1.98%	1.95%
95	1.25%	1.40%	1.78%	1.88%	1.75%	1.75%

Females	2008	2018	2028	2038	2048	2058
55	2.20%	1.72%	1.80%	1.80%	1.77%	1.48%
65	2.70%	2.19%	1.88%	1.80%	1.77%	1.48%
75	3.08%	2.66%	2.09%	1.89%	1.77%	1.48%
85	1.57%	1.92%	2.21%	1.98%	1.90%	1.48%
95	0.90%	1.25%	1.55%	1.75%	1.73%	1.38%

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

	Current	Expectation of life from	Current Year		Previous Year	
	Age	Age	Males	Females	Males	Females
Deferred	45	65	28.68	29.68	27.36	28.24
annuities	55	65	26.68	27.91	25.63	26.77

The mortality assumptions are as described. No explicit allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on mortality or morbidity.

(5) Morbidity Basis

For Individual Permanent Health Insurance the assumed inception & recovery rates are based on modified CMIR12. The percentages of CMIR12 for sample inception & recovery rates, based on a 12 month deferred period, are as follows:

Percentages of Inception rates for the modified CMIR12 table at current year

		Current Year		Previous Year	
Age	Table	Male	Female	Male	Female
25	CMIR12	138.00%	234.60%	287.50%	488.75%
35	CMIR13	138.00%	234.60%	287.50%	488.75%
45	CMIR12	58.00%	98.60%	310.50%	527.50%
55	CMIR12	75.00%	127.50%	310.50%	527.50%

Recovery rates expressed as a percentage of CMIR12 for 2 years duration

		Current Year		Previous Year	
Age	Table	Male	Female	Male	Female
25	CMIR12	51.80%	51.80%	59.20%	59.20%
35	CMIR12	51.80%	51.80%	59.20%	59.20%
45	CMIR12	51.80%	51.80%	59.20%	59.20%
55	CMIR12	51.80%	51.80%	59.20%	59.20%

Recovery rates expressed as a percentage of CMIR12 for 5 years duration

Age	Table	Current Year		Previous Year	
		Male	Female	Male	Female
25	CMIR12	51.80%	51.80%	59.20%	59.20%
35	CMIR12	51.80%	51.80%	59.20%	59.20%
45	CMIR12	51.80%	51.80%	59.20%	59.20%
55	CMIR12	51.80%	51.80%	59.20%	59.20%

Mortality for Individual Permanent Health Insurance is assumed to be 76% TM92 for males and 76% TF92 for females.

Mortality for Individual Permanent Health Insurance as at the previous valuation was assumed to be 81.0% TM92 for males and 80.7% TF92 for females.

(6) Expenses

For policies valued using a gross premium valuation, allowance has been made for renewal commission as paid and an annual renewal expense in accordance with the expense table below inflating at 7.3% p.a.

For with-profits bonds renewal expenses we have compared the value of future policy fees with the value of future renewal expenses in accordance with the expense table below inflating at 7.3% p.a. We have determined that no additional reserve is required.

For other accumulating with-profits policies the reserve, calculated formulaically, includes an allowance for expenses in accordance with the expense table below inflating at 7.3% p.a. Renewal commission is assumed to be payable from the margins within future premium allocations.

The inflation rate assumed in last year's valuation was 7.1% p.a..

Expense Table

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Annuity (400)	16.16	14.31
All other classes[1]	34.27	30.44

[1] basic policies only except for executive pensions where increments also deemed to incur expenses

Expenses on life policies are assumed to benefit from tax relief at 20%.

(7) Unit Growth Rates

The unit linked business is reassured to Phoenix Life Limited and the valuation basis is disclosed in that company's returns.

(8) Future Bonus Rates

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

For accumulating with-profits business the assumed reversionary bonus rates are:

Product	2008 p.a	2009 p.a	2010 & after p.a
Bonds	0.50%	0.08%	0.00%
Other life	0.50%	0.08%	0.00%
UWP Group pensions	1.00%	0.17%	0.00%
Other pensions	1.00%	0.17%	0.00%

(9) Persistency Assumptions

The Company anticipates voluntary premium discontinuances on the with-profits life and pension contracts specified in the table below; no voluntary discontinuances are assumed for other products.

Initial discontinuance rates are in accordance with the tables below and are assumed to reduce linearly to 5% of the initial rate at maturity/retirement

For with-profits life products (excluding whole life) and with-profits pension products initial rates of discontinuance are:

Initial Surrender Rates (%)

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	-	2.1%	1.4%	1.4%
CWP target cash endowment	Surrender	-	4.3%	3.5%	3.5%
CWP pension regular premium	PUP	3.8%	3.6%	2.1%	2.1%
CWP pension regular premium	Surrender	1.5%	1.2%	1.5%	1.5%
CWP pension single premium	Surrender	0.6%	0.9%	1.1%	1.1%

Policies becoming paid-up after the valuation date are assumed not to subsequently surrender.

For pension policies surrendering within 15 years of normal retirement date a proportion of surrenders are deemed to be early retirements with associated guaranteed annuity option entitlements. The proportion of surrenders assumed to be early retirements is 100% at normal retirement decreasing linearly to 0% 15 years prior to normal retirement.

(10) Other Material Assumptions

Not applicable.

(11) Allowance for Derivatives

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

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(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 :

85% for Pension Reserve contracts
85% for Personal Pension Scheme protected rights contracts
85% for Additional Pension Plan contracts
79% for Executive Benefits Plan and Retirement Security Plan
85% for Personal Pension Plan and Personal Pension Scheme contracts
85% for Transfer Plan

These are initial proportions and are assumed to increase linearly to 95% over 20 years.

Where the guaranteed annuity option may be exercised in different forms (e.g. with or without escalation, with or without spouse reversionary benefit) then suitable assumptions have been made regarding the proportion of policyholders electing for the various benefit format. Under certain contracts the spouse's annuity terms are not guaranteed under the policy.

- The expenses of payment are 3.8% of the value of the annuity

- For swaption contracts which are held in connection with these guarantees we have calculated an internal rate of return equating the market value of the swaption contracts to the intrinsic value of the underlying swap contracts. For this purpose we assume that swap rates at expiry are as implied by the forward swap yield curve at the valuation date. The internal rate of return so calculated is deemed to be the "yield" on the swaptions for the purposes of determining a valuation rate of interest used in the calculation of reserves for policies with guaranteed annuity options.

The reserves calculated as above have been compared with the market value of the options determined using market consistent swaption prices and the same demographic assumptions. If, in aggregate, the market value is higher then the reserves are increased to this amount. The reserves calculated as above produced a greater reserve than that calculated using a market consistent approach.

(b)

(i) Product Name	(ii) Basic Reserve £m	(iii) Spread of outstanding durations Years	(iv) Guarantee Reserve £m	(v) Guaranteed Annuity Rate (Male at 65)	(vi) Increments	(vii) Form of annuity[2]	(viii) Retirement Ages
Additional Pension Plan	8.9	0 to 41	3.5	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Executive Benefit Plan	142.7	0 to 39	54.6	10.0% 7.6% 8.1% 5.6%	Yes[1]	Level - single life Esc 4% - single life Level - 60% spouse Esc 4% - 60% spouse	Ages 50 to 75
Retirement Security Plan	97.2	0 to 41	35.2	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Transfer Plan	279.5	0 to 34	105.8	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
PPP81	329.2	0 to 31	146.6	10.0% 8.1%	Yes	Level - single life Level - 60% spouse	Ages 50 to 75
Fowler	430.9	0 to 43	183.3	10.0% 8.1% 8.1% 6.2%	Yes[1]	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Fowler (DSS)	724.8	0 to 35	261.6	10.0% 8.1% 8.3% 6.4%	Yes[1]	Level - single life Esc 3% - single life Level - 50% spouse Esc 3% - 50% spouse	Ages 60 to 75
Pensions Reserve	15.7	0 to 32	6.6	10.0% 8.1%	Yes[1]	Level - single life Level - 60% spouse	Ages 50 to 75

[1] Benefits secured by DSS payments after 6 April 1998 and increments commencing after 1 December 1998 do not include a guaranteed annuity option.
[2] Annuity is payable monthly in advance and guaranteed for 5 years. The forms of annuity represent the various forms assumed in the reserving calculation. Not all forms are necessarily contractual obligations and may represent a concession by the Company.

(2) Guaranteed Surrender and Unit-linked Maturity Values

UWP Bond

(a) MVRs are not applicable on encashment or partial surrender on the 10th policy anniversary for with-profits bonds commencing between June 1996 and January 1999.

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) Policies established on the administration system after 29 September 1997 are wholly reassured with Phoenix Life Limited and the required disclosure for these policies may be found in the Returns of that company. For policies retained by this Company the required disclosure is:

(i) Product Name	Unitised With-Profits Bond
(ii) Basic Reserve	£19.3m
(iii) Spread of Outstanding Durations	0-23 months
(iv) Guarantee Reserve	£0.7m
(v) Guaranteed Amount	£0.7m
(vi) MVR Free Conditions	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or regular withdrawal within certain limits
(vii) In Force Premiums	N/A
(viii) Increments	No

Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan

UWP benefits secured are wholly reassured with Phoenix Life Limited and the required disclosure may be found in the Returns of that Company.

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 to Phoenix Life Limited, the 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 heath. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

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

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	6.8	0.0	13.9	6.2	26.8
All expenses attributable	6.8	0.0	13.9	n/a	20.6
Total	6.8	0.0	13.9	6.2	26.8

(2) Implicit Allowances

The implicit allowances above are in respect of investment management expenses. They are based on the rate of investment fees payable to the investment manager applied to the amount of reserves. This implicit allowance is met by the difference between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

Of the aggregate amount in 6.1, £20.6m 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 Expense Overrun

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

(5) Maintenance Expense Overrun

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

The expense assumptions allow for the standard fees payable under a management services agreement plus a prudent allowance for costs that are not covered by these fees.
An allowance has been made for redundancy costs in respect of redundancies following compensation review exercises. The company is not liable for redundancy costs in general due to its outsourcing arrangement with Resolution Management Services.

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

(6) Non-attributable expenses

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature that are not covered by the standard fee under the management services agreement.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

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

Currency	Mathematical Reserves	Percentage matched in
	£m	same currency
Sterling (£)	5,399.1	100%
Other	0.8	100%
Total	5,399.9	

(2) Other Currency Exposures

See table in paragraph 7 (1).

(3) Currency Mismatching Reserve

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

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

Phoenix & London Assurance Limited, being a realistic basis life firm, is not required to calculate a resilience capital requirement under INSPRU 3.1.9G.

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

Not applicable.

(6) Resilience Capital Requirement

Not applicable.

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

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

8. OTHER SPECIAL RESERVES

Details of other special reserves are set out below:

Description	Reserve
	£m
Data Contingency Reserve	20.0
Litigation Reserve	15.0

<u>Additional Reserves</u>

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

- data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business.

- reserves for future litigation settlements and other similar costs.

9. REINSURANCE

(1) Unauthorised reinsurers

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of reinsurance treaties in force at the valuation date are set out below.

(g) Not applicable since there are no deposit back arrangements under any of the treaties.

(h) All treaties are open to new business, other than those marked with an asterisk.

New business only arises from incremental policies or the exercising of options under existing contracts.

(i) There are no undischarged obligations

(n) Credit risk arises from a possible failure of the reassurer to meet its obligations. For reassurers which are not connected companies the risk is not deemed material. No provision has been made for credit risk in respect of reassurances with other companies in the Resolution group.

Legal risks arises from disputes regarding the operation of the treaties. Provision for any associated costs is by way of the litigation provision described in 8 above

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

(p) There is a financing arrangement in place to provide support to the long-term fund. The details of the arrangement are described fully in note 1508.

For the purposes of the regulatory valuation no provision has been made for the contingent repayment of £207.0m from the long-term fund to the shareholder fund.

(d) Name of Reinsurer	(e) Type of Business	Type of Reinsurance	Extent of Cover	(f) Premiums £000s	(j) Reserve Ceded £m	(l) Authorised in UK	(m) Connected to Company
Revios Re	Individual Life Assurance	2nd Surplus	100,000	0.3	See Note 2	No	No
*Munich Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	375,000	3.9	See Note 2	Yes	No
Phoenix Life Limited	Note 1 (a)	Original Terms	No maximum	5,219.9	964.0	Yes	Yes
Phoenix Life Limited	Note 1 (b)	Original Terms /Risk Premium	Max of 350,000	38,765.1	164.1	Yes	Yes
Phoenix Life Limited	Note 1 (c)	Original Terms	No maximum	14,390.4	288.9	Yes	Yes
Hannover Re	Individual Life Assurance	2nd Surplus	200,000	0.7	See Note 2	Yes	No
Swiss Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	1,125,000	631.4	See Note 2	Yes	No
GE Frankona	Individual Life Assurance	1st Surplus (Risk Premium)	375,000	0.0	See Note 2	Yes	No
*Scottish Re	Individual Life Assurance	2nd Surplus (Risk Premium)	50,000	10.7	See Note 2	Yes	No

Note 1:

The treaties with Phoenix Life Limited include:

(a) The reassurance of the unit linked liability in respect of:

Lifetime Plan
Universal Protection Plan
Challenger Bond
Personal Pension Plan
Personal Pension Scheme
Executive Benefits Plan
Pension Reserve
Executive Pension Plan
Company Pension Scheme
Company Additional Pension Scheme
Individual Personal Pension Plan
Group Personal Pension Plan
Personal Additional Pension Plan;

This business is reinsured to the Phoenix Life Limited Non Profit Fund.

(b) The reassurance of the Group Pensions unitised with-profits contract, certain with-profits endowments and Moneymaker contracts on original terms.

This business is reinsured to the Phoenix Life Limited 100% With Profits Fund.

The reassurance of some term assurance, Progressive Protection and PHI on original terms and Universal Protection Plans on risk premium terms and life cover benefits under unitised with profits pensions, MSP and RSP.

This business is reinsured to the Phoenix Life Limited Non Profit Fund.

(c) The reassurance of:

(i) UWP Bond business written after September 1997

(ii) The UWP liabilities for:

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

This business is reinsured to the Phoenix Life Limited Phoenix With-Profits Fund.

Note 2:

Reinsurance ceded external reserves total £11.338m. This total has not been split between the respective reinsurers.

10. REVERSIONARY (OR ANNUAL) BONUS

(1) Details of bonus rates

The following rates of reversionary bonus, which are independent of age and original term of the contract, were declared on the valuation date:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
Category 1 Contracts	2,779.3	0.05/0.05	0.05 /0.05	0.05/0.05
Category 2 Contracts	1,463.6	0.1/0.1	0.1 /0.1	0.1/0.1
Unitised with profits life[1]	42.4	0.50	0.58	0.00

[1] The Company also writes unitised with-profits business which is wholly reassured to Phoenix Life Limited. The reversionary bonuses applying to these contracts are fully described in the Returns of that company.

Category 1 contracts are:

Additional Pension Plan
Executive Benefit Plan
Jersey Prosperity Plan
Pension Reserve
Personal Pension Plan
Retirement Security Plan
Transfer Plan

Category 2 contracts are all other contracts entitled to participate in profits excluding unitised with-profits contracts.

(2) Unitised with-profits business unit price increases

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. For business retained by the Company the reversionary bonus rate was 0.5% throughout 2007. Business reassured to Phoenix Life Limited is described in the Returns of that Company.

(3) Super compound bonus

The table in 10 (1) shows bonus rates expressed as X%/Y% where X% is the bonus rate applied to the sum assured and Y% is the bonus rate applied to the attaching bonuses.

(4) Bonus series

Within a bonus series bonus rates do not vary.

APPENDIX 9.4A

PHOENIX & LONDON ASSURANCE LIMITED

Abstract of Valuation Report for Realistic Valuation

1. INTRODUCTION

(1) Valuation Date

The valuation date is 31 December 2007.

(2) Previous Valuation

The previous valuation related to 31 December 2006.

(3) Interim Valuations

There was no published interim valuation.

2. ASSETS

(1) Economic Assumptions for Valuing Non-Profit Business

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

	Current Valuation	Previous Valuation
Gross Investment return	See below	See below
Risk discount rate	See below	See below
RPI Inflation	3.50%	3.30%
Expense inflation	7.30%	7.10%

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 risk free yield curves (gilt yield curve plus 10 basis points) were:

Term (years)	Risk Free Rate Current Valuation	Risk Free Rate Previous Valuation
1	4.55%	5.38%
2	4.50%	5.31%
3	4.54%	5.25%
4	4.59%	5.19%
5	4.63%	5.13%
6	4.65%	5.07%
7	4.67%	5.01%
8	4.68%	4.96%
9	4.69%	4.91%
10	4.69%	4.86%
12	4.68%	4.76%
15	4.65%	4.63%
20	4.57%	4.45%
25	4.47%	4.29%

(2) Amount Determined Under INSPRU 1.3.33R(2)

Not applicable.

(3) With-Profits Benefit Reserves Below de minimis Limit

Not applicable.

(4) Different Sets of Assumptions

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation of With-Profits Benefits Reserve

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
With-profits – Whole Life	Prospective	35	-2
With-profits – Other Life	Retrospective	1,697	-118
With-profits – Pensions (Regular and Single Premium)	Retrospective	1,447	774
With-profits – Pensions (Paid-Up)	Prospective	517	277
UWP Life	Retrospective	40	-1
Other		2	
Total		3,738	928
Form 19 Line 31		3,738	
Form 19 Line 49			928

In the table above, the future policy related liabilities for with-profits life business and with-profits pensions business have been split in proportion to the with-profits benefits reserves.

(2) Correspondence with Form 19

Not applicable.

(3) With-Profits Benefit Reserves Below de minimis Limit

The amount categorised as "Other" above falls within the de minimis limit.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

(a), (b)

Product Type	Proportion of With Profits Benefit Reserve Calculated from Individual Contracts	Proportion of With Profits Benefit Reserve Calculated from Grouped Contracts
With-profits – Life (excluding whole life)	100%	0%
With-profits – Pensions (excluding paid-up policies)	100%	0%
UWP Life	100%	0%

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

(2) Significant Changes to Valuation Method

(a) There are no significant changes.

(b) Not applicable.

(3) Expense Allocation

(a) The previous expense investigation was carried out in the fourth quarter of 2007.

(b) Expense investigations are carried out twice annually.

(c)

	Item	£m
(i)	Initial Expenses	Nil[1]
(ii)	Maintenance Expenses	9.9
(ii)	Investment Expenses	4.9
(iii)	Method	Average expense charge deducted
(iv)	Expenses charged other than to with-profits benefits reserve	10.8

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

Investment expenses were deducted from the with-profits benefits reserve at the rate of 0.125% p.a.

(4) Significant Charges

The charges deducted from the with-profits benefits reserve in the year to the valuation date and the preceding year were:

	Current Valuation	Previous Valuation
	£m	£m
Net losses on non-profit business	22.8	6.2
Proportion of up-front outsourcing costs attributable to the period	4.4	4.4
Write-off of initial spreads on derivative contracts	16.4	16.4
Charges for guarantees and smoothing	63.0	70.0

(5) Charges for Non-Insurance Risk

Not applicable.

(6) Ratio of Claims to Reserve

Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge, for the following specimen products and terms:

	Endowment Policies	Regular Premium Personal Pension Plan	Single Premium Personal Pension Plan	Regular Premium Executive Benefits Plan	Single Premium Executive Benefits Plan
1/1/2005 to 30/4/2005					
10 year term	100*	104*	99	98	104*
15 year term	102	101	110	96	117
20 year term	98	101	100	102	102
25 year term	99				
1/5/2005 to 31/8/2005					
10 year term	100*	104*	100*	95	108*
15 year term	95	100*	107*	95	109*
20 year term	95	95*	98*	95	97*
25 year term	95				
1/9/2005 to 31/12/2005					
10 year term	101*	105*	105*	98*	113*
15 year term	96*	101*	103*	99	105*
20 year term	92	96*	102*	95	102*
25 year term	93				
1/1/2006 to 30/4/2006					
10 year term	101*	105*	106*	96*	114*
15 year term	95*	102*	98*	94	105*
20 year term	92	99*	102*	92	103*
25 year term	92				
1/5/2006 to 31/8/2006					
10 year term	104*	106*	110*	92	117*
15 year term	95*	103*	102*	92	109*
20 year term	92	101*	103*	92*	104*
25 year term	92				
1/9/2006 to 31/12/2006					
10 year term	99*	108*	116*	92	120*
15 year term	94*	105*	105*	92	112*
20 year term	92	101*	111*	94*	111*
25 year term	92				
1/1/2007 to 30/4/2007					
10 year term	99*	110*	113*	99*	123*
15 year term	95*	108*	98*	95*	114*
20 year term	93	106*	105*	96	110*
25 year term	93				
1/5/2007 to 31/8/2007					
10 year term	98*	109*	129*	99*	130*
15 year term	93*	107*	109*	96*	111*
20 year term	93	103*	116*	94	113*
25 year term	93				
1/9/2007 to 31/12/2007					
10 year term	97*	108*	135*	99*	135*
15 year term	93*	107*	112*	98*	115*
20 year term	93	104*	118*	95*	115*
25 year term	93				

(*) Denotes that zero terminal bonus rate applied

Payouts on surrenders for conventional with-profits policies will generally have been based on a lower percentage of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve before deducting any exit charge.

Payouts on surrenders of unitised with-profits bonds have been set to the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge.

Year	
2004	98.00%
2005	91.0% to 95.0%
2006	91.9% to 100%
2007	92.8% to 100%

(7) Allocated Return

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

The average rates of investment return (before tax and expenses) added for the year to the valuation date are:

Product Type	Investment Return
Conventional Life	-0.30%
Conventional Pensions	1.00%
UWP Bond	-2.30%
Other UWP Life	-4.00%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

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

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

- the bonus rates are the supportable bonus rates determined from the relevant product, and
- the economic assumptions are consistent with the supportable bonus rates (rather than being derived from the risk free rate)

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

The discount rate is the same as the investment return assumption. These rates together with the assumed rate for expense inflation are consistent with the assumed supportable bonus rates.

Economic Assumptions	
Discount rate p.a.	3.90%
Investment Return p.a.	3.90%
Expense Assumptions	
Investment Expense p.a.	0.10%
Per policy Expenses p.a.	£33.96
Expense Inflation p.a.	7.30%
Bonus Assumptions	
Reversionary Bonuses	
On Basic Sum Assured	0.10%
On accrued bonuses	0.10%

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

Sample terminal bonus rates are as follows:

Elapsed Term in Years	2008	2013	2018	2023	2028	2033	2038	2043
10	0.0%	18.3%						
15	0.0%	19.1%	21.4%					
20	8.0%	21.4%	32.0%	33.0%				
25	26.0%	35.0%	32.3%	46.0%	46.1%			
30	125.0%	63.3%	46.7%	44.6%	48.5%	34.2%		
35	386.0%	195.4%	81.6%	65.2%	65.8%	94.3%	96.8%	
40	690.0%	491.9%	245.5%	122.6%	73.6%	72.2%	119.6%	114.0%

There are no lapses.

Paid-Up With-Profits Pensions Business

The discount rate is the same as the investment return assumption. These rates together with the assumed rate for expense inflation are consistent with the assumed supportable bonus rates.

Economic Assumptions	
Discount rate p.a.	5.625%
Investment Return p.a.	5.625%
Expense Assumptions	
Investment Expense p.a.	0.125%
Per policy Expenses p.a.	£33.96
Expense Inflation p.a.	7.30%
Bonus Assumptions	
Reversionary Bonuses	
On personal pension deferred annuities	0.10%
On other products	0.05%

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

Sample terminal bonus rates are as follows:

Personal Pension Plan

Elapsed Term in Years	2008	2013	2018	2023	2028	2033	2038	2043
5	0.0%							
10	0.0%	0.9%						
15	0.0%	0.0%	0.0%					
20	0.0%	0.0%	0.0%	0.0%				
25	N/A	0.0%	0.0%	0.0%	0.0%			
30	N/A	N/A	0.0%	0.0%	0.0%	0.0%		
35	N/A	N/A	N/A	0.0%	1.0%	0.7%	2.8%	
40	N/A	N/A	N/A	N/A	0.0%	3.4%	9.2%	3.6%

Executive Benefit Plan

Elapsed Term in Years	2008	2013	2018	2023	2028	2033	2038	2043
5	7.0%							
10	0.0%	8.8%						
15	0.0%	6.7%	5.7%					
20	0.0%	0.0%	0.0%	1.1%				
25	0.0%	0.0%	0.0%	2.7%	3.5%			
30	N/A	0.0%	0.0%	0.0%	8.9%	4.6%	N/A	
35	N/A	N/A	0.0%	0.0%	0.0%	0.0%	N/A	N/A
40	N/A	N/A	N/A	0.0%	0.0%	N/A	N/A	N/A

Personal Pension Plan (Deferred Annuity)

Elapsed Term in Years	2008	2013	2018	2023
25	N/A			
30	41.0%	N/A		
35	173.5%	46.1%	N/A	
40	235.8%	189.3%	38.7%	N/A

There are no lapses.

(2) Different Sets of Assumptions

Not applicable.

6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De minimis Limit

Not applicable.

(2) Valuation Methods for Guarantees etc.

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	Deterministic calculation	All business	304,989	6,234

(a) Cost of Guarantees & Options

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

(i) Guaranteed annuity option reserves.
(ii) The reserves required in addition to asset share to meet guaranteed benefits.
(iii) Future retentions at maturity where payouts of less than 100% of asset share are being targeted
(iv) Future profits and losses where amounts payable upon surrender are less or more than asset share.
(v) The value of future guarantee charges deducted from asset share.

The calculations were carried out using a risk neutral approach.

Format of the Guaranteed Annuity Rates (GARs)

The customer can elect to take the annuity guarantee in a number of different forms (e.g. with escalation, with spouse's pension). The value of the GAR is initially calculated assuming all male aged 65, non-escalating, no spouse's pension and then a factor is used in the stochastic model to weight the value of the GAR to allow for the expected take-up of benefits in alternative forms and the resulting expected variation in cost. The weighting factors vary between contract and are as follows:

Product	Weighting Factor
Fowler PPP (non DSS)	90%
Fowler PPP (DSS)	88%
Transfer Plan	88%
Executive Benefit Plan	91%
Pension Reserve	84%
Retirement Security Plan	89%
Additional Pension Plan	90%
PPP '81	90%

Early Retirements

Contracts provide a guaranteed annuity option upon early retirement. It is probable that some surrenders are actually early retirements with a GAR. We assume that 0% of surrenders are early retirements 15 years or more before maturity increasing linearly to 100% immediately prior to maturity. A factor is also applied to reflect the earlier application of the GAR at a younger age. These adjustments are made within the stochastic model.

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

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

Personal Pension Deferred Annuity (PPDA)

For PPDAs the liability for guarantees is calculated on the basis that all policyholders will take a cash sum equal to 3 times the amount of the starting annuity with the balance of the benefit being taken in annuity form. The whole of the guarantee liability is shown within the future cost of contractual guarantees.

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 anticipate a change to terminal bonus rates effective from 1st July 2008 and assume that payouts can be cut by up to 7.5% at declarations every 6 months limited to 15% over a 12 month period.

In the stress scenarios the maximum cut increases to 12.5% every six months and 25% in any 12 months.

The calculation is carried out separately for each major class of conventional business but a weighted average overpayment across different terms is used.

(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 then annual intervals with monthly cohorts for unitised with-profits (UWP) bonds).

The initial model point files outlined above are then more heavily grouped to improve the run times in the stochastic model by amalgamating some of the smaller model points that were not making a significant contribution to the overall results. In order to test that this heavier grouping did not materially affect the results 3000 simulations were run at both levels of grouping and the results differed by less than 1% for the GAR & non GAR reserves.

(c) Less than 1% is unmodelled. The guarantee cost on this business is not material.

(3) Significant Changes

None.

(4) Further Information on Stochastic Approach

(a) (i) The following tables give an indication of the extent to which the guarantees are in or out of the money at the valuation date. The table shows the percentage of the with-profits benefits reserve (including miscellaneous profit items) for each product that falls within each band. The bands are defined below.

% Asset Share	Band A	Band B	Band C	Band D
Endowments & Whole Life	2.9%	0.5%	0.6%	96.0%
Conventional Pensions	62.4%	10.3%	14.5%	12.8%
Unitised With Profit Bond	3.1%	0.1%	1.7%	95.1%

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 74%/26%.

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

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

Output Correlations @ Year 10

	Cash	Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	1.00	-0.03	0.16	0.00	0.58	-0.56	0.26	-0.41	0.57	0.27
Equities		1.00	0.19	0.36	0.08	0.18	0.48	0.38	0.17	0.27
Property			1.00	0.13	0.08	-0.06	0.12	0.00	0.18	0.15
Overseas equities				1.00	0.07	0.14	0.19	0.20	0.21	0.27
5yr Govt ZCB					1.00	0.25	0.52	0.19	0.42	0.24
15yr Govt ZCB						1.00	0.22	0.77	-0.20	0.01
5yr Corp ZCB							1.00	0.65	0.28	0.25
15yr Corp ZCB								1.00	-0.09	0.11
5yr Index Linked ZCB									1.00	0.82
15yr Index Linked ZCB										1.00

(iii) The table below is based on 3000 scenarios.

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	4.63%	4.65%	4.47%	4.30%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	797,522	505,557	334,820	229,356	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	93,965	238,850	325,446	393,201	209,090	387,706	495,753	580,023	570,846	750,592	881,537	984,852
3		FTSE All Share Index (p=0.8)	82,609	189,461	236,267	263,369	185,617	309,974	362,077	392,181	516,107	605,678	652,221	675,718
4		Property (p=1)	33,266	101,914	159,235	219,956	135,896	233,491	306,698	380,035	520,921	607,095	684,614	761,543
5		Property (p=0.8)	25,560	66,215	91,878	119,120	112,527	161,255	189,524	219,120	462,503	454,497	454,338	467,286
6		15 year risk free zero coupon bond (p=1)	3,564	6,163	5,919	10,829	56,605	58,470	67,835	107,100	500,377	499,301	502,366	522,200
7		15 year risk free zero coupon bond (p=0.8)	2,152	2,199	1,471	1,011	38,291	20,530	10,540	10,637	435,180	311,445	224,492	193,262
8		15 year risk free bonds (p=1)	8,258	19,025	26,984	38,908	71,610	91,374	108,145	135,217	497,492	495,714	502,752	529,357
9		15 year risk free bonds (p=0.8)	5,663	8,426	8,551	9,794	52,692	45,070	38,879	38,569	432,394	313,318	242,851	213,111
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	50,700	153,369	220,464	277,924	154,579	288,703	373,726	444,429	531,123	645,130	741,029	824,613
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	42,013	111,686	145,348	168,194	131,620	216,710	252,736	277,036	473,214	499,770	519,768	532,874
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	44,736	140,016	200,349	249,987	143,842	270,040	347,051	411,221	524,369	623,596	710,720	786,957
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	36,579	99,803	129,170	147,093	121,629	200,731	231,124	249,140	465,292	477,750	489,740	498,165
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)	19,214	73,555	114,555	152,944	103,462	189,127	243,594	294,523	506,728	551,431	603,413	660,395
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	14,193	44,489	60,868	73,342	82,514	124,849	139,819	152,243	444,393	397,574	381,307	376,280
			L=15				L=20				L=25			
16		Receiver swaptions	6.23%	7.05%	6.20%	4.99%	7.96%	8.81%	7.66%	6.14%	9.55%	10.32%	8.88%	7.10%

(iv) UK initial equity yield: 3.69%
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.

Year	Guaranteed Benefit (Policies with no GAR)	Guaranteed Benefit (Policies with GAR)	PPPDA (Guaranteed Cash)
	A	B	C
2008	226	95	0
2009	188	114	1
2010	128	111	1
2011	186	124	1
2012	223	141	2
2013	237	143	1
2014	169	141	2
2015	159	139	1
2016	71	149	4
2017	34	145	2
2018	38	152	3
2019	26	137	2
2020	5	148	2
2021	2	145	1
2022	1	142	1
2023	1	153	1
2024	1	153	0
2025	1	155	0
2026	0	144	0
2027	3	140	0
2028	1	141	0
2029	0	125	0
2030	0	118	0
2031	0	93	0
2032	4	79	0
2033	0	66	0
2034	0	52	0
2035	0	41	0
2036	2	31	0
2037	3	18	0
2038	0	10	0
2039	0	4	0
2040	0	2	0
2041	3	0	0
2042	2	0	0

Specimen guaranteed annuity (£) per £1,000 cash:

		Annuity £ p.a.	
	Retirement Age	**Male**	**Female**
Executive Benefits Plan[1]	60	86.58	78.43
	65	100.00	88.50
	70	117.65	102.04
Personal Pension Plan[2]	60	92.60	82.50
	65	109.30	94.20
	70	133.80	111.30
	75	170.30	136.70

[1] guaranteed five years and payable monthly in advance
[2] payable annually in arrears

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

	Strike				
Term	**0.8**	**0.9**	**1**	**1.1**	**1.2**
1	27.31	24.31	21.04	18.53	17.23
2	26.24	24.05	21.70	19.97	18.48
3	26.16	24.38	22.50	21.03	19.73
5	25.95	24.59	23.56	22.17	21.20
10	27.14	26.33	25.48	24.69	24.01

Model

	Strike				
Term	**0.8**	**0.9**	**1**	**1.1**	**1.2**
1	27.31	24.31	21.19	18.53	17.23
2	26.24	24.05	21.88	19.97	18.48
3	26.16	24.38	22.62	21.03	19.73
5	25.95	24.59	23.31	22.17	21.20
10	26.14	25.33	24.48	23.69	23.01

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

	Strike				
Term	**0.8**	**0.9**	**1**	**1.1**	**1.2**
15	29.89	29.21	28.66	28.20	27.85
20	30.05	29.50	29.06	28.69	28.40
25	28.31	27.98	27.72	27.52	27.35
30	30.27	29.89	29.54	29.26	29.00

Difference (Model – Market) %

	Strike				
Term	0.8	0.9	1	1.1	1.2
1	0.00	0.00	0.15	0.00	0.00
2	0.00	0.00	0.18	0.00	0.00
3	0.00	0.00	0.12	0.00	0.00
5	0.00	0.00	-0.25	0.00	0.00
10	-1.00	-1.00	-1.00	-1.00	-1.00

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	4.55%	4.55%	0
2	4.50%	4.50%	0
3	4.54%	4.54%	0
4	4.59%	4.59%	0
5	4.63%	4.63%	0
7	4.67%	4.68%	1
10	4.69%	4.69%	0
15	4.65%	4.65%	0
20	4.57%	4.57%	0
25	4.47%	4.47%	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	12.40	11.58	-82
2	11.70	11.49	-21
3	11.30	11.39	9
4	11.10	11.30	20
5	10.90	11.22	32
7	10.90	11.08	18
10	10.80	10.93	13
15	10.90	10.83	-7
20	10.90	10.83	-7
25	11.00	10.87	-13
30	10.80	10.91	11

Credit (Corporate Bonds)

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities.

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

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

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

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

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

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

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

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 3.7% 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, 1.7% of these prices.

(b) Not applicable

(c) Not applicable

(5) Management Actions

(a) We do not assume that any scenario specific management actions take place in the stochastic model. However the model allows for our investment strategy as follows:

a) Re-balancing of property and equities during 2008 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 the valuation date, although in practice some change will occur in more extreme stochastic scenarios.

We will continue to apply existing market value adjustment (MVA) policy i.e. we allow for MVAs on surrender of UWP business (but with a "floor" based on a discounted value of the no MVA guarantee).

Reversionary bonus rates will remain at current levels in future years.

Future miscellaneous surplus will be nil.

f) Except when less than the discounted value of maturity guarantees, exit charges on surrender will be 5% higher than on maturity. This differential reduces to nil over the last 10 years of the policy term

(b)

% UK & Overseas Equities		**Current Valuation Date**	**Current Valuation Date Plus 5 years**	**Current Valuation Date Plus 10 years**
	i	12%	9%	8%
	ii	Unchanged	Unchanged	Unchanged
	iii	Unchanged	Unchanged	Unchanged

Reversionary Bonus Rates on accumulating with profits		**Current Valuation Date**	**Current Valuation Date Plus 5 years**	**Current Valuation Date Plus 10 years**
		p.a	p.a	p.a
	i	0.5%	0.5%	0.5%
	ii	Nil	Nil	Nil
	iii	Nil	Nil	Nil

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

(6) Persistency Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	-	3.00%	2.00%	2.00%
CWP target cash endowment	Surrender	-	6.20%	5.00%	5.00%
UWP savings endowment	Surrender	N/A	N/A	N/A	N/A
UWP target cash endowment	Surrender	N/A	N/A	N/A	N/A
UWP bond	Surrender	-	14.2%(*)	10.00%	10.00%
UWP bond	Automatic withdrawals(**)				
CWP pension regular premium	PUP	5.40%	5.20%	3.00%	3.00%
CWP pension regular premium	Surrender	2.18%	1.68%	2.10%	2.10%
CWP pension single premium	Surrender	0.80%	1.24%	1.50%	1.50%
UWP individual pension regular premium	PUP	N/A	N/A	N/A	N/A
UWP individual pension regular premium	Surrender	N/A	N/A	N/A	N/A
UWP individual pension single premium	Surrender	N/A	N/A	N/A	N/A

(*) The surrender rate for UWP bonds in the above table excludes an additional assumption for surrenders at the 10 year "no MVA" guarantee point. We assume 90% of policies surrender at this date. The figure in the table above has been derived assuming a 10% lapse rate in the tenth policy year which is consistent with the lapse rate for policies that have been in force for longer than 10 years

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

We assume that future paid-up policies will lapse at the same rate as policies already paid up at the valuation date.

For pension policies surrendering within 15 years of normal retirement date a proportion of surrenders are deemed to be early retirements with associated guaranteed annuity option entitlements. The proportion of surrenders assumed to be early retirements is 100% at normal retirement decreasing linearly to 0% 15 years prior to normal retirement

Take up Rates of Guaranteed Annuity Options

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

$$Cash = Min(L, (Max(10\%, (CxF)))x(1 - Min(t,T) / SxT))$$

where

$$F = R^{k(j)x100} x R^{(i-j-k(j))x100x(ABS(i-j)>semirange)}$$

and

$$k(j) = i - Min(Max(j, i - semirange), i + semirange)$$

where

L	Overall limit on cash proportion. For PALAL PPP81 and Fowler Personal Pensions we set this to the IR maximum of 25%. For all other

	products we set it to 1.25 x C
C	Current experience assumption
F	Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable.
R	Reduction factor that applies outside of central "plateau" range (R=2/3)
R'	Reduction factor that applies within central "plateau" range (R'=0.9)
k(j)	Interim calculation variable depending on i,j, and semirange
semirange	Central "plateau" assumed to apply over a range from (i-semirange) to (i + semirange). Set at 1%.
t	Time in years from the valuation date
T	Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30)
S	Amount of longevity decline (S=3 so that cash declines by 1/3 over T years)
i	Average 20 year interest rate over the period used to set the current experience assumption. This is 4.39% at the valuation date
j	20 year gilt rate at maturity for the particular scenario

Annuitant Mortality

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

(7) Policyholders' Actions

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

7. FINANCING COSTS

There is a financing arrangement in place to provide support to the long-term fund. This is fully described in note 1508. For the purposes of the realistic valuation £69.971m is deemed not repayable being the amount required to produce a value of zero on line 68 of Form 19 and is included as an item within the reconciliation of regulatory and realistic current liabilities in section 9.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Mortgage Endowment Reserve	5.3
Additional Guaranteed Annuity Option Reserve	3.0
Data errors	10.0
Litigation	15.0
Reversal of tax asset	42.9
Other	7.8
Total	83.9

(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.

(b) Additional Guaranteed Annuity Option Reserve

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

(c) Data error provision

A liability has been included for additional liabilities which may arise in connection with data errors affecting the long-term business.

(d) Litigation Costs and potential other costs

A liability has been included for future litigation settlements and other similar costs

(e) Reversal of tax asset

Assets per Form 13 include an amount of £42.9m in relation to the Group tax relief of notional case 1 losses in PALAL. This provision reverses the asset until such time as the appropriate allocation of the asset between shareholders and policyholders is determined.

(f) Other additional reserves

A liability has been included for any additional reserves.

9. REALISTIC CURRENT LIABILITIES

(a) Future Tax Adjustment

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 adjustment is made to assume that future tax will be based on the statutory life proportion rather than the realistic life proportion.

The liability as at the valuation date amounted to £(35.2)m, i.e. the future tax profit is an asset.

(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 percentage is as used in the embedded value calculation.

The liability at the valuation date amounted to £3.0m.

(c) Future Reinsurance Profits

The Company reinsures part of its endowment, whole life and UWP liabilities to Phoenix Life Limited ("PLL").

We recognise the value of the excess of future expected reinsurance claims over payments to the Company's policyholders.

At the valuation date the value of these excesses amounted to £73.0m in respect of endowment and whole life reinsurances to PLL and £16.1m in respect of the UWP reinsurances to PLL

(d) Contingent Loan

In the regulatory valuation no liability is recognised to repay the £207m contingent loan. In the realistic valuation it is assumed that the excess over the £69.971m required to give zero working capital is repayable

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

	£m
Regulatory current liabilities	443.4
Future Tax Profit	-35.2
Additional Tax on Shareholder Transfers	3.0
Reinsurances	-89.1
Contingent loan	-70.0
Realistic current liabilities	252.0

10. RISK CAPITAL MARGIN

(a) The risk capital margin (RCM) amounts to £184.7m.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. However all indirect property held is treated as equity, so this scenario also effectively assumes that property falls by 20% as the Company holds no direct property.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.80%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.

(iii) The average change in spread for bonds backing with-profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is 0.74%:

(a) The change in the market value of bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is –4.75%
(b) not applicable
(c) not applicable
(d) not applicable
(e) The change in the market value of swaps is –28.7%.

In addition, application of the credit risk scenario reduces the value of the present value of future profits on non-profit insurance contracts written in the fund by £13.4m.

(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 +1.7%.

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

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

Annual bonus rates will be reduced to nil on traditional business and UWP business

The impact of the combined stress will be partially offset by increasing guarantee charges. We assume that exit charges on maturity/normal retirement increase from the base scenario assumption of 8.75% of asset share reducing to 0% over 7 years to an increased assumption of 10.5% reducing to 0% over 7 years and that the annual guarantee charge increases from 1.25% of asset share to 1.50% of asset share.

The data contingency provision increases from the £10m in the base scenario to £20m.

These actions are consistent with our PPFM and investment strategy.

(ii) The effect of assuming reduced annual bonuses is to reduce the RCM by £20m. The effect of increasing the exit charges and annual guarantee charge is to reduce the RCM by £35m.

(iii) If the management actions described in 10(b)(i) were integrated into the projection of assets and liabilities and thus disclosed in 6(5)(a), the effect on table 6(5)(b) would be that reversionary bonus rates on accumulating with profits policies would be nil for each future year in question and for each scenario. There would be no change to future proportions of equity assets

(iv) The requirements of INSPRU 1.3.188R would be met if the actions described in 10(b)(i) were integrated into the projection of assets and liabilities.

(c) (i) The risk capital margin is covered by a combination of assets in the long term fund (being part of the contingent loan deemed not repayable) and shareholders' funds principally invested in government gilts.

(ii) The Company has in place an internal capital support memorandum which provides for the transfer of contingent loan within the shareholders' fund to the long term fund should the need arise.

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

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	**0**
Modelling changes	-7
Retrospective changes to asset shares	0
Investment return on revised working capital	-3
Investment mis-match	-39
Policyholder action assumption changes on guarantee costs	14
Non-economic assumption changes on guarantee costs	-53
Experience deviations on guarantee costs	-1
Policyholder action assumption changes on charges	-2
Non-economic assumption changes on charges	62
Experience deviations on charges	-7
Economic effects on value of charges	-3
Tax	-6
Compensation costs	50
Transfers into/out of fund as a result of fund merger	0
Other	-4
Change in contingent loan utilised	18
Unexplained	-19
Closing working capital	**0**

The following table shows a breakdown of the liabilities shown on lines 47 and 51 of Form 19 at the start and end of the year:

£m	Previous Valuation £m	Current Valuation £m
Compensation costs	93.2	8.2
Tax credit reversal	0.0	42.9
Other	31.3	32.8
Form 19 Line 47 total	**124.5**	**83.9**
Accounting liabilities	300.7	443.4
Future tax profit	-39.2	-35.2
Additional tax on shareholders' transfers	5.6	3.0
Reassurance assets	-99.2	-89.1
Contingent loan	-51.6	-70.0
Form 19 Line 51 total	**116.3**	**252.0**

The effect of the change in the provisions for compensation costs together with the amounts paid are shown as "compensation costs" in the analysis of change table.

14. OPTIONAL DISCLOSURE

None

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

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:

	2007 £'000	2006 £'000
Total other than long term insurance business assets – Form 13 line 89	412,534	482,392
Total long term insurance business assets - Form 13 line 89	6,000,300	6,232,230
Less Liabilities - Form 14 lines 11, 12 and 49	(5,639,102)	(5,937,888)
Less Liabilities Form 15 line 69	(206,396)	(204,861)
Net admissible assets	567,336	571,873
Contingent loan	200,000	200,000
Capital resources after deductions - Form 3 line 79	767,336	771,873

0310 Valuation differences between the FSA Return and UK GAAP Report and Accounts

Form 3 line 14 positive valuation differences is analysed as follows:

	2007 £'000	2006 £'000
Valuation differences between Peak 1 and Peak 2 liabilities	117,046	175,377
UKGAAP loan interest accrued not recognised under FSA rules	15,143	-
Form 3 line 14 positive valuation differences	132,189	175,377

0313 Reconciliation of the movement in profit and loss account and other reserves

	2007 £'000
Balance at 31 December 2007 - Form 3 line 12 column 3	316,987
Balance at 31 December 2007 – Form 3 line 12 column 4	302,919
Movement	14,068
Explained by:	
Loss retained for the financial year - Form 16 line 59	(90,932)
Capital transferred to long term insurance business fund	105,000
	14,068

NOTES TO APPENDIX 9.1 (continued)

1305 and 1319 Counterparty exposures

The investment guidelines operated by the Company for:

(a) the maximum exposure to any one counterparty during the financial year; and
(b) the maximum exposure to any one counterparty, other than an approved counterparty during the financial year;

are consistent with the limits as set out in INSPRU 2.1.22R for market risks and counterparty exposures unless the Company decides in an individual case that a higher limit is appropriate. For certain asset classes the investment guidelines restrict counterparty exposure limits further, with the additional restriction potentially dependent on the credit rating of the counterparty.

At no time during the financial year were either of the above amounts exceeded.

1308 Unlisted and listed investments

The amount of unlisted investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the rules in GENPRU 1.3 is £797,000.

1318 Other asset adjustments

The entries at Form 13 line 101 are in relation to the reclassification of debtors and creditors and are for the following amounts:

Total other than long term insurance business assets	2007	2006
	£'000	£'000
Internal capital support – principal and interest	206,991	106,388
Reclassification of debtors and creditors	(17,681)	(3,407)
Form 13 line 101	189,310	102,981

Total long term insurance business assets		
	£'000	£'000
Internal capital support – principal and interest	(206,991)	(106,388)
Inadmissible assets	-	1,668
Reclassification of debtors and creditors	12,348	(102,944)
Form 13 line 101	(194,643)	(207,664)

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

NOTES TO APPENDIX 9.1 (continued)

1401 Provision for reasonably foreseeable adverse variations

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

1402 Liabilities

(a) There are no charges over assets.

(b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the long term insurance business.

(c) In common with the Life Insurance industry, the company has experienced a large number of complaints in respect of mortgage endowment business.

A provision has been established, but the ultimate redress cost may be greater or smaller than is currently provided and will be dependent on the level of complaints, any change in legal or regulatory judgements, and the period over which the policies were written .

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

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

1405 Other adjustment to liabilities

Other adjustments to liabilities as reported in Form 14, line 74 is as follows:

	2007	2006
	£'000	£'000
Valuation differences between Peak 1 and Peak 2 liabilities	117,046	-
Reclassification of debtors and creditors	12,348	(102,944)
Other adjustments	1	175,377
Form 14 line 74	129,395	72,433

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

NOTES TO APPENDIX 9.1 (continued)

1501 Provision for reasonably foreseeable adverse variations

The other than long term insurance business does not own any assets that would give rise to a provision for reasonably adverse variations.

1502 Liabilities (other than long term insurance business)

(a) There are no charges over assets.

(b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the long term insurance business.

(c) There are no contingent liabilities.

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

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

1507 Adjustments to liabilities

Other adjustments to liabilities are reported on Form 15 line 83 is as follows:

	£'000
UK GAAP loan interest accrued not recognised under FSA rules	15,143
Reclassification of debtors and creditors	(17,681)
Other adjustments	(1)
Form 15 line 83	(2,539)

1508 Subordinated loan

The Company entered into the following arrangement with Resolution Life Limited (RLL), in order to support its ongoing solvency position:

Subordinated loan agreement

Under this agreement, the Company has a loan facility from RLL, whereby support is provided where it is anticipated that the company has insufficient capital to meet the "Capital Test". The Capital Test requires there to be capital of £50m in excess of the larger of the Individual Capital Assessment (ICA), as required under GENPRU 1.2 as enhanced to satisfy any Individual Capital Guidance (ICG) provided by the FSA, and the Capital Resources Requirement, as shown on Form 2, line 41, of the returns to the FSA, if Form 2 was to be prepared on the date concerned (ignoring for this purpose any adjustment required by GN45). The loans are repayable at the company's 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 £200.0m (2006: £200.0m). Interest is due under this loan agreement at LIBOR plus 2%, but is only payable at the Company's discretion, giving 30 days notice to the lender and is shown under creditors. On 31 December 2007 the Company had drawn-down £200.0m (2006: £200.0m).

NOTES TO APPENDIX 9.1 (continued)

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 the 31 December 2007 was £200.0m (2006: £200.0m). 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 2007 was £207.0m (2006: £106.4m) 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 amount transferred from the SH memorandum account into the LTF memoranda accounts, £70.0m (2006: £51.6m) was required to achieve a realistic basis surplus of £nil.

1601 Basis of conversion of foreign currency

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

1603 Other income and charges

The charge of £4,145,000 on Form 16 Line 21 relates to project expenses not charged to the long term insurance business fund.

1700 Form 17 Total other than long term insurance business assets

Form 17 for Total other than long term insurance business assets has been omitted because all entries (including comparatives) are blank.

1801 Regulatory current liabilities of the fund

Form 18 line 22 is analysed as follows:

	2007	2006
	£'000	£'000
Form 14 line 49	236,377	194,376
Internal capital support	206,991	106,388
	443,368	300,764

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

NOTES TO APPENDIX 9.3

4008 Provision of management services to or by the company

Management services have been provided during the year by Resolution Management Services Limited and Resolution Asset Management Limited. Both companies are part of the Resolution plc group of companies.

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, details of which are listed in Appendix 9.4 Paragraph 9 of the Return.

During the year the company reassured premiums of £70,336,000 with Phoenix Life Limited.

4010 Unit linked investment income

Included within Form 40 Line 12 is £106,000 of Unit Linked Investment income.

4011 Expenses payable

Policy administration is outsourced to Resolution Management Services Limited (RMS), which in turn has an agreement to sub-contract administration to Unisys Insurance Services Limited. Under the agreement with RMS, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

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.

The assets held to cover linked liabilities, as at 31 December 2007 are as below:

	2007
	£'000
Property linked annuity	854
Capital International Bond	986
Equity Fund	964
Total	2,804

4801 Non-Linked Assets

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 Non-Linked Assets

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

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

NOTES TO APPENDIX 9.3 (continued)

4803 Non-Linked Assets

The Company holds a number of securities the coupon of which changes from a fixed amount to a variable amount from a pre-determined data. The issuer of the security has the option to redeem the bond on that date and information presented assumes that this will be the case. The value of these securities as at the valuation date was £195,927k.

4804 Non-Linked Assets

Other assets include:

- short term deposits where the expected return is a short-term interest rate;
- cash and other current assets where there is no expected return; and
- swaptions where the expected return is calculated as described in Appendix 9.4 5.1(a).

4806 Non-Linked Assets

The asset mix underlying an individual policy asset share 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 backing the with profits benefit reserve as at 31 December 2007 were:

Asset Type	2007 £'m
Land and buildings	332
Approved fixed interest securities	1,629
Other fixed interest securities	811
UK listed equity shares	290
Non UK listed equity shares	132
Other assets	544

4807 Non-Linked Assets

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

4808 Non-Linked Assets

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

4809 Non-Linked Assets

The Company holds a number of swaps in connection with its fixed interest assets. The value of the swaps as shown in Form 17 column 1 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 but including those swaps included in Form 17 column 2 as well.

For fixed interest securities expected income relates to the fixed interest assets shown in column 1. The Company also holds a small number of equity futures where the net value is included in Line 28, column 1 and then for the purposes of column 2 reallocated to equities.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

NOTES TO APPENDIX 9.3 (continued)

4810 Non-Linked Assets

The entry in Line 33 column 5 is after tax.

4901 Fixed and Variable Interest Assets

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

4902 Fixed and Variable Interest Assets

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.

5501 Unit prices for internal linked funds

Entries in columns 6 and 7 are in £.

5801 Transfer from non-technical account

The difference between Form 58 line 32 and Form 40 line 26 can be explained as follows:

	2007
	£'000
Capital transferred to the long term insurance business fund - Form 58 line 32	105,000
Transfer from non-technical account – Form 40 line 26	(101,873)
Surplus allocated to shareholders – Form 58 line 13	3,127

Returns under the Accounts and Statements Rules

Statement of Additional Information on Derivative Contracts required by rule 9.29

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

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 2007

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 £2,773,396

   The maximum loss any other time during the relevant financial year was £2,773,396.

h) The Company did not, at any time during the financial year, hold a derivative contract which required a significant provision to be made for it under INSPRU 3.2.17R or (where appropriate) did not fall within the definition of a permitted derivative contract.

i) The Company received £Nil during the year in return for granting rights under derivative contracts.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

(1) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

(a) Resolution Life Limited;
(b) Resolution Life Group Limited (ceased to be controller on 17 May 2007);
(c) Resolution Plc;
(d) Pearl Assurance plc;
(e) Pearl Group Limited;
(f) Sun Capital Investments Limited;
(g) Hera Investments One Limited;
(h) Xercise Limited;
(i) Jambright Limited;
(j) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas;
(k) TDR Capital Nominees Limited; and
(l) TDR Capital LLP.

(2) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:

(a) Resolution Life Limited

Resolution Life Limited owned 100% of the ordinary share capital of Phoenix & London Assurance Limited, and was able to exercise 100% of the voting power at any general meeting.

(b) Resolution plc

Resolution plc owned 100% of the ordinary shares of Resolution Life Limited, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

(c) Pearl Assurance plc

Pearl Assurance plc owned 20.13% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 20.13% of the voting power at any general meeting.

(d) Pearl Group Limited

Pearl Group Limited owned 100% of the ordinary share capital of Pearl Assurance plc and 5.79% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking, and was able to exercise 25.92% of the voting power at any general meeting.

(e) Sun Capital Investments Limited

Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

(Controllers at the end of the financial year - continued)

(f) Hera Investments One Limited

Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(g) Xercise Limited

Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(h) Jambright Limited

Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(i) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas

Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 79.2% of the ordinary shares of Xercise Limited and were able to exercise 79.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(j) TDR Capital Nominees Limited

TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(Controllers at the end of the financial year – continued)

(k) TDR Capital LLP

TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright

Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix & London Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

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 & London Assurance 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 requirement of role 9.36 and is not aware of any further information to that provided by the Actuary.

Particulars of Shareholdings

At 31st December 2007 the With-Profits Actuary to the Company held:

(a) 1,100 ordinary shares in Resolution Plc, the ultimate holding company; and

(b) options to subscribe for 8,862 ordinary shares in Resolution Plc granted under the Company's Long Term Incentive Plan and the Savings Relation Share Option Scheme

Particulars of Recuniary Interests

There was one contract of insurance in existence between the With-Profits Actuary and companies in the Resolution group, being a term assurance policy effected on normal terms with Scottish Provident Institution prior to it being part of 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 £196,136 during 2007.

The With-Profits Actuary was a member of the Resolution Group Pension Scheme. The figure shown above excluded the relevant contributions.

Note:

The above information relates to Mr A E Burke the With-Profits Actuary from 1st January 2007

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

We certify that:

(1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and

(b) we are satisfied, saved as disclosed on the attached note to the certificate, that:

(i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and

(ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

(2) (a) in our opinion, premiums for contracts of long-term insurance business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular to establish adequate mathematical reserves;

(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

(c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS2.3; and

(d) the directors, have in preparing the return, taken and paid due regard to:

(i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and

(ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

G L Singleton	R P Stockton	M J Merrick
....	....	....
Chief Executive	Director	Director

26 March 2008

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2007

Notes to the Directors' Certificate

1. Rider UiSL Financial Reconciliations

Process and system issues in one of Resolution's outsourcers, UiSL Limited, have generated higher than expected premium and claim suspense account balances when reconciling ledger balances to underlying policy administration systems.

Resolution Management Services is working closely with UiSL Limited to prevent recurrence of this issue and clear the accrued suspense account backlogs.

2 Principles and Practices of Financial Management

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 have not 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 Interim Prudential Sourcebook for Insurers

Phoenix and London Assurance Limited

Global business

Financial year ended 31 December 2007

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

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1).

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

Respective responsibilities of the insurer and its auditors

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

It is our responsibility to form an independent opinion as to whether the Forms, the statement 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 (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 28 March

2008. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

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

Opinion

In our opinion:

(a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the rules as modified and have been properly prepared in accordance with the provisions of those rules; and

(b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP

Registered Auditor

London

28 March 2008