

PEARL ASSURANCE LIMITED

Annual FSA Insurance Returns for the year ended

31 December 2011

IPRU(INS) Appendices 9.1, 9.2, 9.3, 9.4, 9.4A, 9.5, 9.6

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

Global business

Financial year ended **31 December 2011**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
R1	1419	GL	31	12	2011	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising outside the long-term insurance fund	11	539504	737988
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	524504	722988
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	15000	15000

Guarantee fund

Guarantee fund requirement	21	3056	3040
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	11944	11960

Minimum capital requirement (MCR)

General insurance capital requirement	31	2967	3139
Base capital resources requirement	33	3056	3040
Individual minimum capital requirement	34	3056	3139
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	3056	3139
Excess (deficiency) of available capital resources to cover 50% of MCR	37	13472	13430
Excess (deficiency) of available capital resources to cover 75% of MCR	38	12708	12646

Capital resources requirement (CRR)

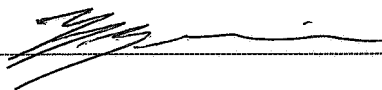
Capital resources requirement	41	3056	3139
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	11944	11861

Contingent liabilities

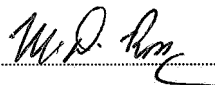
Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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Covering Sheet to Form 1

Name of insurer **PEARL ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2011**


----- M J Merrick Chief Executive


----- A Moss Director


----- M D Ross Director

Date: 20 March 2012

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

Global business

Financial year ended **31 December 2011**

Adjusted solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2011	
	1419	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	1380941	1272017
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	524504	722988
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1905445	1995005

Guarantee fund

Guarantee fund requirement	21	300033	286101
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1582625	1583544

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	398635	380712
Resilience capital requirement	32		
Base capital resources requirement	33	3056	3040
Individual minimum capital requirement	34	398635	380712
Capital requirements of regulated related undertakings	35	170209	162272
Minimum capital requirement (34+35)	36	568844	542984
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1621023	1660472
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1478812	1524726

Enhanced capital requirement

With-profits insurance capital component	39	783739	704600
Enhanced capital requirement	40	1352583	1247584

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1352583	1247584
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	552862	747421

Contingent liabilities

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

Global business

Financial year ended **31 December 2011**

R3	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2011	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		342109	342109	342109
Profit and loss account and other reserves	12	20329	607555	627884	720410
Share premium account	13		40716	40716	40716
Positive valuation differences	14		736611	736611	631256
Fund for future appropriations	15		280713	280713	293978
Core tier one capital in related undertakings	16		11243	11243	(32322)
Core tier one capital (sum of 11 to 16)	19	20329	2018947	2039276	1996148

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	20329	2018947	2039276	1996148
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34	5329		5329	7168
Other negative valuation differences	35				
Deductions in related undertakings	36		22683	22683	42016
Deductions from tier one (32 to 36)	37	5329	22683	28012	49184
Total tier one capital after deductions (31-37)	39	15000	1996264	2011264	1946964

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

Global business

Financial year ended **31 December 2011**

Company registration number	GL/UK/CM	day month year			Units	
R3	1419	GL	31	12	2011	£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				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52		250000	250000	250000
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		250000	250000	250000

Total tier two capital before restrictions (49+59)	61		250000	250000	250000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		250000	250000	250000

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

Global business

Financial year ended **31 December 2011**

R3	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2011	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72	15000	2246264	2261264	2196964
Inadmissible assets other than intangibles and own shares	73		30797	30797	46207
Assets in excess of market risk and counterparty limits	74		310022	310022	140752
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79	15000	1905445	1920445	2010005

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81	15000	1882658	1897658	1884644
Available capital resources for 50% MCR requirement	82	15000	1905445	1920445	1946964
Available capital resources for 75% MCR requirement	83	15000	1905445	1920445	1946964

Financial engineering adjustments

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

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

 Name of insurer **PEARL ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2011**

General insurance business

	Company registration number	GL/ UK/ CM	day month year			Units	
	R11	1419	GL	31	12	2011	£000
				This financial year 1		Previous year 2	
Gross premiums written			11				
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13				
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16				
Gross premiums earned			21				
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23				
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26				
Sub-total I (higher of sub-total A and sub-total H)			30				
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32				
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34				
Claims paid in period of 3 financial years			41			6573	7683
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			7659	8433
	For insurance business accounted for on an accident year basis		43			38884	41412
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			7546	7757
	For insurance business accounted for on an accident year basis		45			46328	46676
Sub-total C (41+42+43-44-45)			46			(758)	3095
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			(1614)	292
Sub-total D (46-47)			48			856	2803
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			0.50	0.91
Premiums amount (Sub-total J x reinsurance ratio)			50				
Provision for claims outstanding (before discounting and net of reinsurance)			51			37897	40096
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53			2967	3139
Greater of lines 50 and 53			54			2967	3139

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

 Name of insurer **PEARL ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2011**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	1419	GL	31	12	2011	£000
				This financial year		1	Previous year
						2	
Gross premiums written			11			1126	1193
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			1126	1193
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			1126	1193
Sub-total A (13 + 1/2 14 - 2/3 15)			16			375	398
Gross premiums earned			21			1129	1196
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			1129	1196
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			1129	1196
Sub-total H (23 + 1/2 24 - 2/3 25)			26			376	399
Sub-total I (higher of sub-total A and sub-total H)			30			376	399
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			68	72
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34			68	72
Claims paid in period of 3 financial years			41			1162	1201
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43			2316	2441
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45			1980	2646
Sub-total C (41+42+43-44-45)			46			1498	996
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
Sub-total D (46-47)			48			1498	996
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			1.00	1.00
Premiums amount (Sub-total J x reinsurance ratio)			50			68	72
Provision for claims outstanding (before discounting and net of reinsurance)			51			2316	2441
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			87	91
Greater of lines 50 and 53			54			87	91

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

Global business

Financial year ended **31 December 2011**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2011	£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	6573			7683
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	7659			8433
	For insurance business accounted for on an accident year basis			23	38884			41412
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	7546			7757
	For insurance business accounted for on an accident year basis			25	46328			46676
Claims incurred in reference period (21+22+23-24-25)				26	(758)			3095
Claims incurred for classes 11, 12 or 13 (included in 26)				27	4133			8386
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	1308			7288
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	436			2429
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	113			632
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	113			632
Claims amount Sub-total G x reinsurance ratio (11.49)				41	57			572
Higher of premiums amount and brought forward amount (11.54)				42	2967			3139
General insurance capital requirement (higher of lines 41 and 42)				43	2967			3139

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

Global business

Financial year ended **31 December 2011**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2011	£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	1162		1201	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	2316		2441	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	1980		2646	
Claims incurred in reference period (21+22+23-24-25)				26	1498		996	
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	1498		996	
Sub-total E (26 +1/2 27 - 2/3 28)				29	499		332	
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	166		111	
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	43		29	
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	43		29	
Claims amount Sub-total G x reinsurance ratio (11.49)				41	43		29	
Higher of premiums amount and brought forward amount (11.54)				42	87		91	
General insurance capital requirement (higher of lines 41 and 42)				43	87		91	

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

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21				41648
	Debts and loans	22			50000	115000
Other insurance dependants	Shares	23				
	Debts and loans	24				
Non-insurance dependants	Shares	25				
	Debts and loans	26			157486	138841
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	240137	225239
Rights under derivative contracts	44	33851	57210
Fixed interest securities	Approved	45	49040
	Other	46	
Variable interest securities	Approved	47	3144
	Other	48	12546
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57	53	54
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

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

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61	8646	9750
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	3809 1475
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	935	1538
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	536	2630
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2471	2865

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	550703	660979
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£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	550703	660979
Admissible assets in excess of market and counterparty limits	92	271444	80030
Inadmissible assets directly held	93	9482	
Capital resources requirement deduction of regulated related undertakings	94	181510	187268
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	22816	42149
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	2756	154639
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	1038711	1125065

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	209112	115760
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		42088	44528	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22	65000	
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	11810	129386
	Debts and loans	26	215544	199500
Other group undertakings	Shares	27		47019
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	680505	1274048	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	5647996	4193520	
Rights under derivative contracts	44	1754116	859182	
Fixed interest securities	Approved	45	3621290	3391404
	Other	46	3162725	2188832
Variable interest securities	Approved	47	807891	761380
	Other	48	1455629	2144616
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	8783	9020	
Other loans	53	8991	5875	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57	24884	25172	
Assets held to match linked liabilities	Index linked	58	140	135
	Property linked	59	97	116

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

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		174
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	525	13406
	Ceded	75	548	838
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	19416	152243
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	346495	136933
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)		83	
Accrued interest and rent	84	109770	108805
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	180	6452

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	17984423	15692588
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£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	17984423	15692588
Admissible assets in excess of market and counterparty limits	92	38578	60724
Inadmissible assets directly held	93	21182	46076
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	2525928	2379030
Other asset adjustments (may be negative)	101	(108997)	(147637)
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	20461114	18030780

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	361139	236676
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11			42088	44528

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	11810	69934
	Debts and loans	26		
Other group undertakings	Shares	27		47019
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	600482	1199949	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	4415558	3045647	
Rights under derivative contracts	44	827989	433757	
Fixed interest securities	Approved	45	2179588	1963631
	Other	46	1161471	1161445
Variable interest securities	Approved	47	628537	626164
	Other	48	1155191	1535955
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	8783	9020	
Other loans	53	8991	5875	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57	24884	25172	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	97	116

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

Global business

Financial year ended **31 December 2011**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	13
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		174
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	449	13406
	Ceded	75	4	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2698	110473
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	331163	129624
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	52597	51184
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	179	6420

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	11452560	10479494
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	13
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	11452560	10479494
Admissible assets in excess of market and counterparty limits	92	405	6506
Inadmissible assets directly held	93	146	664
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	6533	7433
Other asset adjustments (may be negative)	101	(103)	(8396)
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	11459541	10485700
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	32294	142741

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

Global business

Financial year ended **31 December 2011**Category of assets **100:0 SERP**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	320230	104334	
Rights under derivative contracts	44	396241	175266	
Fixed interest securities	Approved	45	802896	746363
	Other	46	290845	292902
Variable interest securities	Approved	47		
	Other	48	57453	79362
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2011**Category of assets **100:0 SERP**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	1419	GL	31	12	2011	£000	14
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	143	176
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6615	1156
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	12948	13821
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		15

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1887371	1413396
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **100:0 SERP**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	14
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1887371	1413396
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	(101951)	(130550)
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	1785420	1282846

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	182	9596
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21			
	Debts and loans	22			
Other insurance dependants	Shares	23			
	Debts and loans	24			
Non-insurance dependants	Shares	25			
	Debts and loans	26		96044	80000
Other group undertakings	Shares	27			
	Debts and loans	28			
Participating interests	Shares	29			
	Debts and loans	30			

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		143481	100815
Rights under derivative contracts	44		1754	271
Fixed interest securities	Approved	45	38429	32966
	Other	46	23661	19601
Variable interest securities	Approved	47	9258	7778
	Other	48	855	1215
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2011**Category of assets **0:100 BLAGAB**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1419	GL	31	12	2011	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	543	803
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	674	22020
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2305	2298
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4142	1715
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1	15

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	321147	269495
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	321147	269495
Admissible assets in excess of market and counterparty limits	92	38173	54217
Inadmissible assets directly held	93	29906	45412
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	(3333)	(3005)
Other asset adjustments (may be negative)	101	76	(131)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	385970	365988
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	102510	84204

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

Global business

Financial year ended **31 December 2011**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22	65000	
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		59453
	Debts and loans	26	119500	119500
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	80023	74099	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	768727	942724	
Rights under derivative contracts	44	528132	249889	
Fixed interest securities	Approved	45	600377	648444
	Other	46	1686747	714885
Variable interest securities	Approved	47	170096	127439
	Other	48	242130	528085
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	140	135
	Property linked	59		

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

Global business

Financial year ended **31 December 2011**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2011	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	76	
	Ceded	75		36
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	15901	19574
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6412	3855
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	40084	42085
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		2

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4323346	3530203
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**Category of assets **0:100 PENSIONS**

R13	Company registration number 1419	GL/ UK/ CM GL	day month year			Units £000	Category of assets 12
			31	12	2011		
						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	4323346	3530203
Admissible assets in excess of market and counterparty limits	92		1
Inadmissible assets directly held	93	(8870)	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2522727	2374602
Other asset adjustments (may be negative)	101	(7019)	(8560)
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	6830184	5896246
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	226153	135

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	8848985	8452450	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	367165	330954	
Long term insurance business fund carried forward (11 to 13)	14	9216150	8783404	
Claims outstanding	Gross	15	68885	58225
	Reinsurers' share	16	266	
	Net (15-16)	17	68618	58225
Provisions	Taxation	21		
	Other risks and charges	22	14514	15571
Deposits received from reinsurers	23	2525058	2414051	
Creditors	Direct insurance business	31	924	8410
	Reinsurance accepted	32		
	Reinsurance ceded	33	393	119
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	29571	7179
	Other	38	5108019	3454549
Accruals and deferred income	39	1506	2021	
Provision for "reasonably foreseeable adverse variations"	41	5800	7900	
Total other insurance and non-insurance liabilities (17 to 41)	49	7754498	5968120	
Excess of the value of net admissible assets	51	1013776	941063	
Total liabilities and margins	59	17984423	15692587	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	13554	144546
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	97	116

Total liabilities (11+12+49)	71	16603482	14420570
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2525928	2379030
Other adjustments to liabilities (may be negative)	74	729564	606487
Capital and reserves and fund for future appropriations	75	602140	624693
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	20461114	18030780

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **90:10**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	6248994	6257725
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	107421	107421
Long term insurance business fund carried forward (11 to 13)		14	6356415	6365146
Claims outstanding	Gross	15	63424	56374
	Reinsurers' share	16		
	Net (15-16)	17	63424	56374
Provisions	Taxation	21		
	Other risks and charges	22	14514	15571
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	924	8410
	Reinsurance accepted	32		
	Reinsurance ceded	33	16	
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions		36		
Creditors	Taxation	37	23213	4452
	Other	38	3972914	3078501
Accruals and deferred income		39	1468	1980
Provision for "reasonably foreseeable adverse variations"		41	5800	7900
Total other insurance and non-insurance liabilities (17 to 41)		49	4082369	3173284
Excess of the value of net admissible assets		51	1013776	941063
Total liabilities and margins		59	11452560	10479494

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	10628	84180
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	97	116

Total liabilities (11+12+49)		71	10331363	9431010
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	6533	7433
Other adjustments to liabilities (may be negative)		74	840932	753280
Capital and reserves and fund for future appropriations		75	280713	293978
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	11459541	10485700

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **100:0 SERP**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	1415118	1303260
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	9930	6221
Long term insurance business fund carried forward (11 to 13)		14	1425048	1309482
Claims outstanding	Gross	15	3606	402
	Reinsurers' share	16		
	Net (15-16)	17	3606	402
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	2	411
	Other	38	458707	103101
Accruals and deferred income		39	8	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	462323	103914
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	1887371	1413396

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	1455	49093
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		

Total liabilities (11+12+49)		71	1877441	1407174
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74	(92021)	(124328)
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	1785420	1282846

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **0:100 BLAGAB**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	63719	57422
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	239815	206993
Long term insurance business fund carried forward (11 to 13)		14	303533	264415
Claims outstanding	Gross	15	1310	1053
	Reinsurers' share	16	266	
	Net (15-16)	17	1044	1053
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	373	119
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	6365	(432)
	Other	38	9828	4329
Accruals and deferred income		39	5	11
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	17614	5080
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	321147	269495

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

Total liabilities (11+12+49)		71	81333	62502
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	(3333)	(3005)
Other adjustments to liabilities (may be negative)		74	4453	(435)
Capital and reserves and fund for future appropriations		75	303516	306925
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	385970	365988

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **0:100 PENSIONS**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	1121154	834043
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	10000	10318
Long term insurance business fund carried forward (11 to 13)		14	1131154	844361
Claims outstanding	Gross	15	544	396
	Reinsurers' share	16		
	Net (15-16)	17	544	396
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23	2525058	2414051
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	4	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	(9)	2747
	Other	38	666570	268618
Accruals and deferred income		39	25	30
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	3192191	2685841
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	4323346	3530203

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	1244	11273
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		

Total liabilities (11+12+49)		71	4313346	3519884
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	2522727	2374602
Other adjustments to liabilities (may be negative)		74	(23800)	(22030)
Capital and reserves and fund for future appropriations		75	17911	23790
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	6830184	5896246

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

Global business

Financial year ended **31 December 2011**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	1419	GL	31	12	2011	£000
				As at end of this financial year	As at end of the previous year	
				1	2	

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12	46543	49846
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19	46543	49846

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22	87951	123
Deposits received from reinsurers	31			
Creditors	Direct insurance business	41		
	Reinsurance accepted	42	865	704
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions	46			
Creditors	Taxation	47	944	8067
	Foreseeable dividend	48		
	Other	49	48951	46255
Accruals and deferred income	51	7454	4716	
Total (19 to 51)	59	192708	109710	
Provision for "reasonably foreseeable adverse variations"	61		550	
Cumulative preference share capital	62			
Subordinated loan capital	63	250000	250000	
Total (59 to 63)	69	442708	360260	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	253198	21159
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Amounts deducted from technical provisions for discounting	82	5329	7168
Other adjustments (may be negative)	83	(87951)	(550)
Capital and reserves	84	689283	772523
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	1038711	1125065

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

Global business

Financial year ended **31 December 2011**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2011	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11	2265			(134)	
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13	69143			(137972)	
Investment income	Income		14	80574			101524	
	Value re-adjustments on investments		15	7138			72106	
	Gains on the realisation of investments		16	14617			806	
Investment charges	Investment management charges, including interest		17	10110			10974	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19	467			29802	
Allocated investment return transferred to the general insurance business technical account			20	3777			2670	
Other income and charges (particulars to be specified by way of supplementary note)			21	(212)			(34)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	159172			(7151)	
Tax on profit or loss on ordinary activities			31	(3901)			6722	
Profit or loss on ordinary activities after tax (29-31)			39	163073			(13873)	
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	163073			(13873)	
Dividends (paid or foreseeable)			51	35000			102593	
Profit or loss retained for the financial year (49-51)			59	128073			(116466)	

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

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2011	£000	1
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12				1852			92330
	Inflation	13		16406					288730
	Credit index / basket	14		17235			547460		
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19		210		177	7119		25872
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51		33851		2029	554579		406932
Adjustment for variation margin		52							
Total (51 + 52)		53		33851		2029			

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

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

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2011	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	4265	4403	236282	119495			
	Interest rates	12	1280488	1058235	6148287	6313270			
	Inflation	13	134			6532			
	Credit index / basket	14	10209		870726				
	Credit single name	15	286	315	43384	17489			
	Equity index	16	916	1071	27957	36150			
	Equity stock	17							
	Land	18							
	Currencies	19	29250	19537	719006	2769513			
	Mortality	20							
	Other	21	190290		1017200				
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	240868		1743981				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	1756707	1083562	10806823	9262449			
Adjustment for variation margin		52	(2591)	(2737)					
Total (51 + 52)		53	1754116	1080825					

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

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

Global business

Financial year ended **31 December 2011**Category of assets **90:10**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2011	£000	13
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	394	2889	6504	81610			
	Interest rates	12	531289	612382	2210835	3515998			
	Inflation	13							
	Credit index / basket	14	1041		593067				
	Credit single name	15	190	223	10515	17489			
	Equity index	16	916	1071	27957	36150			
	Equity stock	17							
	Land	18							
	Currencies	19	14662	12195	673126	1501843			
	Mortality	20							
	Other	21	159009		845000				
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	121144		1144121				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	828644	628760	5511125	5153090			
Adjustment for variation margin		52	(655)	(1980)					
Total (51 + 52)		53	827989	626780					

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

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

Global business

Financial year ended **31 December 2011**Category of assets **100:0 SERP**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2011	£000	14
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	254427	232481	1296098	1403398			
	Inflation	13	134			6532			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	717	294	8658	17651			
	Mortality	20							
	Other	21	21238		112200				
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	119725		599860				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	396241	232774	2016816	1427581			
Adjustment for variation margin		52							
Total (51 + 52)		53	396241	232774					

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

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

Global business

Financial year ended **31 December 2011**Category of assets **0:100 BLAGAB**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2011	£000	11
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	1722		9210	30000		85500	
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	32		118	161		17973	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	1754		9328	30161		103473	
Adjustment for variation margin		52							
Total (51 + 52)		53	1754		9328				

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

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

Global business

Financial year ended **31 December 2011**Category of assets **0:100 PENSIONS**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2011	£000	12
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	3871	1513	229778	37884			
	Interest rates	12	493051	204163	2611353	1308374			
	Inflation	13							
	Credit index / basket	14	9168		277658				
	Credit single name	15	95	92	32869				
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	13839	6931	37061	1232046			
	Mortality	20							
	Other	21	10044			60000			
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	530068	212699	3248720	2578305			
Adjustment for variation margin		52	(1936)	(757)					
Total (51 + 52)		53	528132	211943					

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

With-profits insurance capital component for the fund

Name of insurer **PEARL ASSURANCE LIMITED**
 With-profits fund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	11452560	10479494
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	175470	178007
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	5987	5744
	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	11271103	10295742
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	6073524	6079718
	Regulatory current liabilities of the fund	22	4082369	3173285
	Total (21+22)	29	10155893	9253003
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	208219	208780
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	10364111	9461782
Regulatory excess capital (19-39)		49	906991	833960

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	906991	833960
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	134553	154357
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	772438	679603

With-profits insurance capital component for the fund

Name of insurer **PEARL ASSURANCE LIMITED**
 With-profits fund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	1887371	1413396
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	1887371	1413396
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1415118	1303260
	Regulatory current liabilities of the fund	22	462323	103914
	Total (21+22)	29	1877441	1407174
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	48115	44312
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	1925556	1451487
Regulatory excess capital (19-39)		49	(38186)	(38091)

Realistic excess capital

Realistic excess capital	51		97219
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(38186)	(135310)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

Realistic balance sheetName of insurer **PEARL ASSURANCE LIMITED**With-profits fund **90:10**Financial year ended **31 December 2011**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	11271103	10295742
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	405	6506
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	12533	12724
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	11284041	10314973
Support arrangement assets	27		
Assets available to the fund (26+27)	29	11284041	10314973

Realistic value of liabilities of fund

With-profits benefit reserve	31	4913266	5113743	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	52327	52327
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	1097053	1003065
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	264527	44513
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	325917	213372
	Future costs of non-contractual commitments	42	129684	125284
	Future costs of financial options	43	423141	252184
	Future costs of smoothing (possibly negative)	44	(26605)	(68035)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	557216	502161
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2294206	2035844	
Realistic current liabilities of the fund	51	4076569	3165385	
Realistic value of liabilities of fund (31+49+51)	59	11284041	10314973	

Realistic balance sheet

Name of insurer **PEARL ASSURANCE LIMITED**
 With-profits fund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	11284041	10314973
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	11284041	10314973
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	418055	593171
Additional amount potentially available for inclusion in line 63	82	44165	41020

Realistic balance sheet

Name of insurer **PEARL ASSURANCE LIMITED**
 With-profits fund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	1887371	1413396
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	1887371	1413396
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1887371	1413396

Realistic value of liabilities of fund

With-profits benefit reserve	31	549371	599809	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	1156	1728
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	(674)	(1195)
	Future costs of contractual guarantees (other than financial options)	41	770040	586252
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	3475	225
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	102645	1236
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	875677	587181	
Realistic current liabilities of the fund	51	462323	103914	
Realistic value of liabilities of fund (31+49+51)	59	1887371	1290904	

Realistic balance sheetName of insurer **PEARL ASSURANCE LIMITED**With-profits fund **100:0 SERP**Financial year ended **31 December 2011**Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	1887371	1316176
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	1887371	1316176
Risk capital margin for fund (62-59)	65		25273
Realistic excess capital for fund (26-(59+65))	66		97219
Realistic excess available capital for fund (29-(59+65))	67		97219
Working capital for fund (29-59)	68		122492
Working capital ratio for fund (68/29)	69		8.67

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

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

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2011
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year		
		1	Reported	Incurred but not reported			4
			2	3			
001	Total business	1	4202	38555			
002	Total primary (direct) and facultative business	2	2447	34849			
003	Total treaty reinsurance accepted business	3	1754	3706			

110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4					
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5			38		
160	Primary (direct) and facultative household and domestic all risks	6	216	500			
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7					
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8	438	33			
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9	16				
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10	1778	34278			
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11					
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12					
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13					
350	Total primary (direct) and facultative goods in transit	14					
400	Miscellaneous primary (direct) and facultative business	15					
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16	17	38			
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17	1737	3668			
700	Miscellaneous treaty reinsurance accepted business	18					
	Total (lines 4 to 18)	20	4202	38555			

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2011
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year	
			Reported	Incurred but not reported			
		1	2	3	4		

Primary (direct) and facultative personal lines business

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23				
114	Personal accident or sickness	24				
121	Private motor - comprehensive	25			12	
122	Private motor - non-comprehensive	26			26	
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28	216		500	
181	Assistance	29				
182	Creditor	30				
183	Extended warranty	31				
184	Legal expenses	32				
185	Mortgage indemnity	33				
186	Pet insurance	34				
187	Other personal financial loss	35				

Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42	438		33	
223	Motor other	43				
261	Commercial property	44	16			
262	Consequential loss	45				
263	Contractors or engineering all risks	46				
271	Employers liability	47	1064		32718	
272	Professional indemnity	48				
273	Public and products liability	49	714		1560	
274	Mixed commercial package	50				
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

Primary (direct) and facultative aviation

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

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Category number	FSA return general insurance business reporting category	Company registration number		GL/ UK/ CM	day month year			units
		R20A	1419	GL	31	12	2011	£000
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year			
								Reported
		1	2	3	4			

Primary (direct) and facultative marine and transport

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

Primary (direct) and facultative miscellaneous

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

510	Non-proportional accident and health	81				
520	Non-proportional motor	82		3		7
530	Non-proportional aviation	83				
540	Non-proportional marine	84				
550	Non-proportional transport	85				
560	Non-proportional property	86		4		4
570	Non-proportional liability (non-motor)	87		9		27
580	Non-proportional financial lines	88				
590	Non-proportional aggregate cover	89				

Proportional treaty

610	Proportional accident and health	91				
620	Proportional motor	92				
630	Proportional aviation	93				
640	Proportional marine	94		1701		3579
650	Proportional transport	95				
660	Proportional property	96		10		10
670	Proportional liability (non-motor)	97		26		78
680	Proportional financial lines	98				
690	Proportional aggregate cover	99				

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101				
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	Total (lines 21 to 101)	111		4202		38555
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General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011****Total business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	001
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22			(2184)		501	
	Claims management costs (22.14.4)		23			2087		140	
	Adjustment for discounting (22.51.4)		24			(1838)		(1797)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26			5		(67)	
	Balance (21-22-23+24+25-26)		29			(1745)		(2370)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31			233		(434)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39			233		(434)	
Balance of all years' underwriting (19+29+39)			49			(1512)		(2804)	
Allocated investment income			51			3777		2670	
Transfer to non-technical account (49+51)			59			2265		(134)	

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

Global business

Financial year ended **31 December 2011****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	002
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22			(2184)		501	
	Claims management costs (22.14.4)		23			2087		140	
	Adjustment for discounting (22.51.4)		24			(1838)		(1797)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26			5		(67)	
	Balance (21-22-23+24+25-26)		29			(1745)		(2370)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49			(1745)		(2370)	
Allocated investment income			51			3699		2594	
Transfer to non-technical account (49+51)			59			1954		223	

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

Global business

Financial year ended **31 December 2011****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	003
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11							
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22							
	Claims management costs (22.14.4)	23							
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
	Balance (21-22-23+24+25-26)	29							
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				233	(434)		
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39				233	(434)		
Balance of all years' underwriting (19+29+39)		49				233	(434)		
Allocated investment income		51				78	76		
Transfer to non-technical account (49+51)		59				311	(358)		

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

Global business

Financial year ended **31 December 2011****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	270
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22			(2424)		544	
	Claims management costs (22.14.4)		23			1599		15	
	Adjustment for discounting (22.51.4)		24			(1838)		(1797)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26					(60)	
	Balance (21-22-23+24+25-26)		29				(1014)		(2296)
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49			(1014)		(2296)	
Allocated investment income			51			2517		2590	
Transfer to non-technical account (49+51)			59			1504		294	

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

Global business

Financial year ended **31 December 2011****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	409
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22				239	(43)	
	Claims management costs (22.14.4)		23				488	126	
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26				5	(8)	
	Balance (21-22-23+24+25-26)		29				(732)	(75)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				(732)	(75)	
Allocated investment income			51				1182	4	
Transfer to non-technical account (49+51)			59				450	(71)	

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

Global business

Financial year ended **31 December 2011****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	500
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				182	(419)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				182	(419)	
Balance of all years' underwriting (19+29+39)			49				182	(419)	
Allocated investment income			51				24	74	
Transfer to non-technical account (49+51)			59				206	(345)	

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

Global business

Financial year ended **31 December 2011****Total proportional treaty reinsurance business accepted**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2011	£000	600
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
Balance of year's underwriting (11-12-13+14-15+16-17)		19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
Balance (21-22-23+24+25-26)		29							
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				51	(14)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				51	(14)	
Balance of all years' underwriting (19+29+39)			49				51	(14)	
Allocated investment income			51				54	2	
Transfer to non-technical account (49+51)			59				106	(13)	

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

Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2011	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		41412	967		37297	(3149)	
	Reinsurers' share	12		4496	165		3366	(965)	
	Net (11-12)	13		36917	801		33931	(2184)	
	Claims management costs	14			499		1588	2087	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			5			5	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			5			5	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		7167			5084	(2083)	
	Reinsurers' share	32							
	Claims management costs	33					245	245	
	Total (31-32+33)	39		7167			5329	(1838)	
Split of line 29	Prior financial years	41			5			5	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		7167			5329	(1838)	
	Incidents occurring in this financial year	52							

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

Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2011	£000	002
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		41412	967		37297	(3149)	
	Reinsurers' share	12		4496	165		3366	(965)	
	Net (11-12)	13		36917	801		33931	(2184)	
	Claims management costs	14			499		1588	2087	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			5			5	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			5			5	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		7167			5084	(2083)	
	Reinsurers' share	32							
	Claims management costs	33					245	245	
	Total (31-32+33)	39		7167			5329	(1838)	
Split of line 29	Prior financial years	41			5			5	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		7167			5329	(1838)	
	Incidents occurring in this financial year	52							

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

Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total primary (direct) and facultative personal lines motor business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2011	£000	120
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		564			133	38	(393)
	Reinsurers' share	12		564			133	38	(393)
	Net (11-12)	13							
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23							
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29							
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total primary (direct) and facultative commercial lines liability business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2011	£000	270
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		39746	548		36055	(3142)	
	Reinsurers' share	12		3048	2		2328	(719)	
	Net (11-12)	13		36697	546		33727	(2424)	
	Claims management costs	14			11		1588	1599	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(0)			(0)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(0)			(0)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		7167			5084	(2083)	
	Reinsurers' share	32							
	Claims management costs	33					245	245	
	Total (31-32+33)	39		7167			5329	(1838)	
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		7167			5329	(1838)	
	Incidents occurring in this financial year	52							

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

Name of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Balance of all primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2011	£000	409
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		1103			286	1203	386
	Reinsurers' share	12		883			30	1000	147
	Net (11-12)	13		219			255	203	239
	Claims management costs	14					488		488
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23					5		5
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29					5		5
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41					5		5
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended **31 December 2011****Total business**

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		5	6	Claims outstanding brought forward		9	GL	day month year			Units	Category number		
							Reported (net)	Incurred but not reported (net)			Reported (net)	Incurred but not reported (net)			31	12	2011			£000	
	12	2011	11																		
	12	2010	12																		
	12	2009	13																		
	12	2008	14																		
	12	2007	15																		
	12	2006	16																		
	12	2005	17													13					
	12	2004	18													305					
	12	2003	19													250					
	12	2002	20													13485					
		Prior accident years	21			801		1500	32431	2131	34786	(2184)	5084								
		Reconciliation	22																		
		Total (11 to 22)	29			801		1500	32431	2131	34786	(2184)	5084								

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

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended **31 December 2011**

Total primary (direct) and facultative business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		1419	GL	day month year			Units	Category number			
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)			31	12	2011			£000	002	
	12	2011	11																	
	12	2010	12																	
	12	2009	13																	
	12	2008	14																	
	12	2007	15																	
	12	2006	16																	
	12	2005	17												13					
	12	2004	18												305					
	12	2003	19												250					
	12	2002	20												13485					
Prior accident years			21			801	1500	32431	2131	34786	(2184)	5084								
Reconciliation			22																	
Total (11 to 22)			29			801	1500	32431	2131	34786	(2184)	5084								

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

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended

31 December 2011

Total primary (direct) and facultative personal lines motor business

Accident year ended	Month	Year	Company registration number		GL/UK/CM	day month year			Units	Category number					
			R23	1419		GL	31	12			2011	£000	120		
			Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward	Claims incurred (latest year) or developed during this financial year (other years)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %	
			1	2	3	4	5	6	7	8	9	10	11	12	13
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	(4+5+6-7-8)				
12	12	2011	11												
12	12	2010	12												
12	12	2009	13												
12	12	2008	14												
12	12	2007	15												
12	12	2006	16												
12	12	2005	17												
12	12	2004	18										102		
12	12	2003	19										201		
12	12	2002	20										4427		
Prior accident years			21												
Reconciliation			22												
Total (11 to 22)			29												

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total primary (direct) and facultative commercial lines liability business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		6	Claims outstanding brought forward		R23	1419	GL	day month year			Units	Category number		
							Reported (net)	Incurred but not reported (net)		Reported (net)	Incurred but not reported (net)				31	12	2011			£000	
	12	2011	11																		
	12	2010	12																		
	12	2009	13																		
	12	2008	14																		
	12	2007	15																		
	12	2006	16																		
	12	2005	17																		
	12	2004	18																		
	12	2003	19																		
	12	2002	20																		
		Prior accident years	21			546	1500	32228	2131	34567	(2424)	5084									
		Reconciliation	22																		
		Total (11 to 22)	29			546	1500	32228	2131	34567	(2424)	5084									

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

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2011

Balance of all primary (direct) and facultative business

Accident year ended	Company registration number		GL/UK/CM	day month year			Units	Category number						
	R23	1419		31	12	2011			£000	409				
Month	Year	1	2	3	4	5	6	7	8	9	10	11	12	13
		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
12	2011													
12	2010													
12	2009													
12	2008													
12	2007													
12	2006													
12	2005													
12	2004											161		
12	2003											49		
12	2002											8552		
Prior accident years					255		203		219	239				
Reconciliation														
Total (11 to 22)					255		203		219	239				

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

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2011

Total business

	Prior underwriting years		Company registration number												GL/UK/CM			Units			Category number				
	29 29		R24				1419				GL				£000										
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY							
Underwriting year ended	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns
	11																								99 99
Gross amount																									
Premiums written																									
Reinsurers' share																									
Net (11-12)																									
Gross amount			82																						82
Reinsurers' share			65																						65
Net (21-22)			17																						17
Claims management costs			552																						552
Commissions																									
Other acquisition expenses																									
Administrative expenses			(2)																						(2)
Reinsurers' commissions and profit participations																									
Payable net (41+42+43-44)			(2)																						(2)
Brought forward			3179																						3179
Undiscounted Adjustment for discounting																									
Carried forward			2379																						2379
Undiscounted Adjustment for discounting																									
Increase (decrease) in the financial year (63-54-51+52)			(800)																						(800)
Balance on each underwriting year (19-29-39-49-59)			233																						233

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total treaty reinsurance accepted business

	Underwriting year ended	Prior underwriting years		Company registration number												GL/UK/CM			day month year			Units			Category number
		29 29		R24				1419				GL				£000			Total all previous columns						
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM		YY					
		12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	99	99		
		11																							
Premiums written	Gross amount																								
	Reinsurers' share																								
	Net (11-12)																								
Claims paid	Gross amount																							82	
	Reinsurers' share																							65	
	Net (21-22)																							17	
Claims management costs																								552	
Commissions																									
Other acquisition expenses																									
Administrative expenses																								(2)	
Reinsurers' commissions and profit participations																									
Payable net (41+42+43-44)																								(2)	
Brought forward	Undiscounted																							3179	
	Adjustment for discounting																								
Carried forward	Undiscounted																							2379	
	Adjustment for discounting																								
Increase (decrease) in the financial year (53-54-51+52)																								(800)	
Balance on each underwriting year (19-29-39-49-59)																								233	

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total non-proportional treaty reinsurance business accepted

	Prior underwriting years		Company registration number												GL/UK/CI	day month year			Units	Category number								
			1419				R24				GL					£000												
			MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		MM	YY	MM			YY	MM	YY					
Underwriting year ended			29	29	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	99	99	500	Total all previous columns
Premiums written	Gross amount	11																										
	Reinsurers' share	12																										
	Net (11-12)	19																										
Claims paid	Gross amount	21	5																									5
	Reinsurers' share	22																										
	Net (21-22)	29	5																									5
Claims management costs		39	550																									550
Net operating expenses	Commissions	41																										
	Other acquisition expenses	42																										
	Administrative expenses	43	(2)																									(2)
	Reinsurers' commissions and profit participations	44																										
	Payable net (41+42+43-44)	49	(2)																									(2)
Technical provisions	Brought forward	51	2989																									2989
	Adjustment for discounting	52																										
	Carried forward	53	2263																									2263
	Adjustment for discounting	54																										
	Increase (decrease) in the financial year (53-54-51+52)	59	(736)																									(736)
Balance on each underwriting year (19-29-39-49-59)		69	182																									182

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Global business
 Financial year ended **31 December 2011**

Total proportional treaty reinsurance business accepted

	Company registration number												GL/UK/CM	day month year			Units	Category number
	R24			1419			GL			£000				600				
	MM	YY	MM YY	MM	YY	MM YY	MM	YY	MM YY	MM	YY	MM YY			99	99		
	29	29	12 02	12 03	12 04	12 05	12 06	12 07	12 08	12 09	12 10	12 11	12 11	Total all previous columns				
Underwriting year ended																		
	Prior underwriting years																	
	11																	
Premiums written																		
Reinsurers' share																		
Net (11-12)	19																	
Claims paid																		
Gross amount	21	77													77			
Reinsurers' share	22	65													65			
Net (21-22)	29	12													12			
Claims management costs	39	2													2			
Commissions	41																	
Other acquisition expenses	42																	
Administrative expenses	43																	
Reinsurers' commissions and profit participations	44																	
Payable net (41+42+43-44)	49																	
Technical provisions																		
Brought forward	51	190													190			
Adjustment for discounting	52																	
Carried forward	53	125													125			
Adjustment for discounting	54																	
Increase (decrease) in the financial year (53-54-51+52)	59	(65)													(65)			
Balance on each underwriting year (19-29-39-49-59)	69	51													51			

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total business

	Underwriting year ended	Prior underwriting years		R25			1419			GL			day month year			Units		Category number						
		29	29	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		MM	YY	99	99		
Reported claims outstanding	Gross amount	11	1754																				1754	
	Reinsurers' share	12	1701																					1701
Claims incurred but not reported	Gross amount	13	3706																					3706
	Reinsurers' share	14	3579																					3579
Claims management costs		15	2198																					2198
Adjustment for discounting	Gross amount	16																						
	Reinsurers' share	17																						
	Claims management costs	18																						
Allocation to/(from) another risk category of anticipated surplus		19																						
Balance of the fund		20																						
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	2379																					2379
Provision for unearned premiums		22																						
Provision for unexpired risks		23																						
Deferred acquisition costs		24																						
Other technical provisions (particulars to be specified by way of supplementary note)		25																						
Total (21+22+23-24+25)		29	2379																					2379

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total treaty reinsurance accepted business

	Underwriting year ended	Prior underwriting years		Company registration number												GL/UK/CM		day month year			Units		Category number							
		R25		1419		GL		31 12 2011			£000		003																	
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM		YY	MM	YY	MM	YY												
Reported claims outstanding		29	29	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	12	11	11	99	99	Total all previous columns	
Gross amount	11																												1754	
Reinsurers' share	12																												1701	
Gross amount	13																												3706	
Reinsurers' share	14																												3579	
Claims management costs	15																												2198	
Gross amount	16																													
Reinsurers' share	17																													
Claims management costs	18																													
Allocation to/(from) another risk category of anticipated surplus	19																													
Balance of the fund	20																													
Claims outstanding (11-12+13-14+15-16+17-18+19-20)	21																													2379
Provision for unearned premiums	22																													
Provision for unexpired risks	23																													
Deferred acquisition costs	24																													
Other technical provisions (particulars to be specified by way of supplementary note)	25																													
Total (21+22+23-24+25)	29																													2379

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total non-proportional treaty reinsurance business accepted

Underwriting year ended	Prior underwriting years	Company registration number			GL/UK/CM	day month year			Units			Category number
		1419				31 12 2011			£000			
		MM	YY	YY		MM	YY	YY	MM	YY	YY	
	29 29	12 02	12 03	12 04	12 05	12 06	12 07	12 08	12 09	12 10	12 11	99 99
11	17											17
Reported claims outstanding												
Gross amount												
Reinsurers' share												
12												
Claims incurred but not reported												
Gross amount	39											
Reinsurers' share												
13												
Claims management costs												
Gross amount	2198											
Reinsurers' share												
14												
Adjustment for discounting												
Gross amount												
Reinsurers' share												
Claims management costs												
15												
Allocation to/(from) another risk category of anticipated surplus												
Balance of the fund												
Claims outstanding (11-12+13-14+15-16+17-18+19+20)	2253											
Provision for unearned premiums												
Provision for unexpired risks												
Deferred acquisition costs												
Other technical provisions (particulars to be specified by way of supplementary note)												
21												
Total (21+22+23-24+25)	2253											2253
22												
23												
24												
25												
29												

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

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2011**

Total proportional treaty reinsurance business accepted

	Company registration number		GL/UK/CII		day month year			Units		Category number															
	1419		GL		31 12 2011			£000																	
	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns																
Underwriting year ended	R25		GL		31 12 2011			£000		600															
	Prior underwriting years	29	29	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	99	99
11	Gross amount	1737																							1737
12	Reinsurers' share	1701																							1701
13	Gross amount	3668																							3668
14	Reinsurers' share	3579																							3579
15	Claims management costs																								
16	Gross amount																								
17	Reinsurers' share																								
18	Claims management costs																								
19	Allocation to/(from) another risk category of anticipated surplus																								
20	Balance of the fund																								
21	Claims outstanding (11-12+13-14+15-16+17-18+19+20)	125																							125
22	Provision for unearned premiums																								
23	Provision for unexpired risks																								
24	Deferred acquisition costs																								
25	Other technical provisions (particulars to be specified by way of supplementary note)																								
29	Total (21+22+23+24+25)	125																							125

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

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2011

Company registration number 1419
GL/UK/CM
day month year 31 12 2011
Units

Major currencies	Reporting territory code	Total admissible assets as shown on Form 13	1	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	2	Expected income from assets included in column 2	3	Yield %	4	Technical provisions	5	Provision for outstanding claims being discounted		7	Unwind in the discount in the next financial year	8	Rates of interest at which the provision is being discounted			Average rate		
												Before deduction for discounting	6				Deduction for discounting	9	10		11	
																						Highest
R30	GL	31	12	2011	£000																	
Sterling	AA	542057	29694	205	0.7	32444	35023	5329	445	1.5	1.5	1.5										
Other currencies										124												
Total		542057	29694				32568			32568		5329	445									

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

PEARL ASSURANCE LIMITED

Name of insurer

Global business

Financial year ended

31 December 2011

GL/
UK/
CMCompany
registration
number

day month year

Units

Type of asset	R30	1419	GL	day month year		£000
				31	12	
		Value of admissible assets as shown on Form 13 1	Admissible assets hypothecated to cover the provision for outstanding claims being discounted 2	Expected income from assets included in column 2 3	Yield %	4
Land and buildings	31					
Fixed interest securities		52778	29694	205	0.7	
Variable interest and variable yield securities (excluding items shown at line 36)						
Equity shares and holdings in collective investment schemes	36	240137				
Loans secured by mortgages	37					
All other assets		192271				
		56870				
Total	49	542057	29694	205	0.7	

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	106748	124020
Investment income receivable before deduction of tax	12	560939	432136
Increase (decrease) in the value of non-linked assets brought into account	13	813641	574415
Increase (decrease) in the value of linked assets	14	(19)	(13)
Other income	15	3714	4721
Total income	19	1485024	1135279

Expenditure

Claims incurred	21	588835	599611
Expenses payable	22	126499	82846
Interest payable before the deduction of tax	23	23028	13281
Taxation	24	21216	(12962)
Other expenditure	25	249820	287283
Transfer to (from) non technical account	26	69143	(137972)
Total expenditure	29	1078541	832086

Business transfers - in	31	239366	1415766
Business transfers - out	32	213104	207426
Increase (decrease) in fund in financial year (19-29+31-32)	39	432746	1511532
Fund brought forward	49	8783404	7271872
Fund carried forward (39+49)	59	9216150	8783404

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	77055	88971
Investment income receivable before deduction of tax	12	302971	270005
Increase (decrease) in the value of non-linked assets brought into account	13	397001	299178
Increase (decrease) in the value of linked assets	14	(19)	(13)
Other income	15	469	531
Total income	19	777477	658672

Expenditure

Claims incurred	21	447187	437628
Expenses payable	22	107968	63988
Interest payable before the deduction of tax	23	20860	12262
Taxation	24	38362	24481
Other expenditure	25		
Transfer to (from) non technical account	26	11344	8678
Total expenditure	29	625722	547038

Business transfers - in	31		
Business transfers - out	32	160486	172173
Increase (decrease) in fund in financial year (19-29+31-32)	39	(8732)	(60539)
Fund brought forward	49	6365146	6425685
Fund carried forward (39+49)	59	6356415	6365146

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	7014	7956
Investment income receivable before deduction of tax	12	69434	50189
Increase (decrease) in the value of non-linked assets brought into account	13	204240	57198
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	280688	115343

Expenditure

Claims incurred	21	85830	112456
Expenses payable	22	4675	3990
Interest payable before the deduction of tax	23	727	523
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	22000	(164650)
Total expenditure	29	113231	(47681)

Business transfers - in	31		1181710
Business transfers - out	32	51891	35253
Increase (decrease) in fund in financial year (19-29+31-32)	39	115566	1309481
Fund brought forward	49	1309482	
Fund carried forward (39+49)	59	1425048	1309481

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	15031	15108
Investment income receivable before deduction of tax	12	6596	7807
Increase (decrease) in the value of non-linked assets brought into account	13	14477	(27767)
Increase (decrease) in the value of linked assets	14		
Other income	15	107	149
Total income	19	36212	(4703)

Expenditure

Claims incurred	21	9675	10314
Expenses payable	22	4596	4406
Interest payable before the deduction of tax	23		9
Taxation	24	(17271)	(37443)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	(3000)	(22715)

Business transfers - in	31		912
Business transfers - out	32	93	
Increase (decrease) in fund in financial year (19-29+31-32)	39	39118	18924
Fund brought forward	49	264415	245491
Fund carried forward (39+49)	59	303533	264415

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	7648	11986
Investment income receivable before deduction of tax	12	181938	104134
Increase (decrease) in the value of non-linked assets brought into account	13	197923	245805
Increase (decrease) in the value of linked assets	14		
Other income	15	3137	4041
Total income	19	390647	365966

Expenditure

Claims incurred	21	46143	39212
Expenses payable	22	9261	10462
Interest payable before the deduction of tax	23	1441	487
Taxation	24	125	
Other expenditure	25	249820	287283
Transfer to (from) non technical account	26	35799	18000
Total expenditure	29	342587	355444

Business transfers - in	31	239366	233144
Business transfers - out	32	633	
Increase (decrease) in fund in financial year (19-29+31-32)	39	286793	243666
Fund brought forward	49	844361	600696
Fund carried forward (39+49)	59	1131154	844361

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11	57400	44513		101913	115973
Single premiums	12	580	7757		8337	11004

Reinsurance - external

Regular premiums	13	3338			3338	2757
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	165			165	199
Single premiums	16					

Net of reinsurance

Regular premiums	17	53897	44513		98411	113017
Single premiums	18	580	7757		8337	11004

Total

Gross	19	57980	52271		110251	126976
Reinsurance	20	3503			3503	2956
Net	21	54477	52271		106748	124020

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11	39714	36265		75979	89721
Single premiums	12		1343		1343	(450)

Reinsurance - external

Regular premiums	13	103			103	101
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	165			165	199
Single premiums	16					

Net of reinsurance

Regular premiums	17	39447	36265		75712	89421
Single premiums	18		1343		1343	(450)

Total

Gross	19	39714	37608		77322	89271
Reinsurance	20	268			268	301
Net	21	39447	37608		77055	88971

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11		7012		7012	7956
Single premiums	12		2		2	

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		7012		7012	7956
Single premiums	18		2		2	

Total

Gross	19		7014		7014	7956
Reinsurance	20					
Net	21		7014		7014	7956

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11	17686			17686	17156
Single premiums	12	580			580	607

Reinsurance - external

Regular premiums	13	3235			3235	2655
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	14451			14451	14501
Single premiums	18	580			580	607

Total

Gross	19	18266			18266	17764
Reinsurance	20	3235			3235	2655
Net	21	15031			15031	15108

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11		1237		1237	1139
Single premiums	12		6412		6412	10847

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		1237		1237	1139
Single premiums	18		6412		6412	10847

Total

Gross	19		7648		7648	11986
Reinsurance	20					
Net	21		7648		7648	11986

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Death or disability lump sums	11	60885	17715		78600	85370
Disability periodic payments	12	89	8		97	25
Surrender or partial surrender	13	79918	193517		273435	270071
Annuity payments	14	2005	251575		253580	253260
Lump sums on maturity	15	146440	41249		187689	200864
Total	16	289337	504065		793402	809590

Reinsurance - external

Death or disability lump sums	21	1769			1769	1687
Disability periodic payments	22	6			6	5
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1775			1775	1692

Reinsurance - intra-group

Death or disability lump sums	31	161			161	196
Disability periodic payments	32					
Surrender or partial surrender	33	730	(39)		691	310
Annuity payments	34		201802		201802	207398
Lump sums on maturity	35	139			139	382
Total	36	1029	201763		202792	208287

Net of reinsurance

Death or disability lump sums	41	58956	17715		76670	83487
Disability periodic payments	42	83	8		91	20
Surrender or partial surrender	43	79188	193556		272745	269761
Annuity payments	44	2005	49773		51778	45861
Lump sums on maturity	45	146301	41249		187550	200482
Total	46	286533	302302		588835	599611

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Death or disability lump sums	11	52986	12098		65084	72659
Disability periodic payments	12	18	8		26	0
Surrender or partial surrender	13	79601	130002		209603	210712
Annuity payments	14		4247		4247	5284
Lump sums on maturity	15	145342	23935		169276	149862
Total	16	277947	170290		448236	438517

Reinsurance - external

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

Reinsurance - intra-group

Death or disability lump sums	31	161			161	196
Disability periodic payments	32					
Surrender or partial surrender	33	730	(39)		691	310
Annuity payments	34					
Lump sums on maturity	35	139			139	382
Total	36	1029	(39)		990	889

Net of reinsurance

Death or disability lump sums	41	52767	12098		64864	72463
Disability periodic payments	42	18	8		26	0
Surrender or partial surrender	43	78871	130041		208912	210402
Annuity payments	44		4247		4247	5284
Lump sums on maturity	45	145203	23935		169138	149480
Total	46	276859	170329		447187	437628

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Death or disability lump sums	11		5041		5041	3755
Disability periodic payments	12					
Surrender or partial surrender	13		63515		63515	58991
Annuity payments	14					
Lump sums on maturity	15		17274		17274	49710
Total	16		85830		85830	112456

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41		5041		5041	3755
Disability periodic payments	42					
Surrender or partial surrender	43		63515		63515	58991
Annuity payments	44					
Lump sums on maturity	45		17274		17274	49710
Total	46		85830		85830	112456

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Death or disability lump sums	11	7899		7899	8171
Disability periodic payments	12	71		71	25
Surrender or partial surrender	13	317		317	355
Annuity payments	14	2005		2005	2402
Lump sums on maturity	15	1098		1098	1053
Total	16	11390		11390	12006

Reinsurance - external

Death or disability lump sums	21	1710		1710	1687
Disability periodic payments	22	6		6	5
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26	1716		1716	1692

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	6189		6189	6484
Disability periodic payments	42	65		65	19
Surrender or partial surrender	43	317		317	355
Annuity payments	44	2005		2005	2402
Lump sums on maturity	45	1098		1098	1053
Total	46	9675		9675	10314

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Death or disability lump sums	11		576	576	785
Disability periodic payments	12				
Surrender or partial surrender	13		0	0	12
Annuity payments	14		247328	247328	245573
Lump sums on maturity	15		41	41	239
Total	16		247945	247945	246611

Reinsurance - external

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

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		201802	201802	207398
Lump sums on maturity	35				
Total	36		201802	201802	207398

Net of reinsurance

Death or disability lump sums	41		576	576	785
Disability periodic payments	42				
Surrender or partial surrender	43		0	0	12
Annuity payments	44		45526	45526	38175
Lump sums on maturity	45		41	41	239
Total	46		46143	46143	39212

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12		664	664	616
Management - acquisition	13				
Management - maintenance	14	38642	86814	125456	81798
Management - other	15		380	380	432
Total	16	38642	87858	126499	82846

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		664	664	616
Management - acquisition	43				
Management - maintenance	44	38642	86814	125456	81798
Management - other	45		380	380	432
Total	46	38642	87858	126499	82846

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	34046	73576	107622	63557
Management - other	15		346	346	432
Total	16	34046	73922	107968	63988

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	34046	73576	107622	63557
Management - other	45		346	346	432
Total	46	34046	73922	107968	63988

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12		99	99	76
Management - acquisition	13				
Management - maintenance	14		4541	4541	3914
Management - other	15		34	34	
Total	16		4675	4675	3990

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		99	99	76
Management - acquisition	43				
Management - maintenance	44		4541	4541	3914
Management - other	45		34	34	
Total	46		4675	4675	3990

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	4596		4596	4406
Management - other	15				
Total	16	4596		4596	4406

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	4596		4596	4406
Management - other	45				
Total	46	4596		4596	4406

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12		564	564	539
Management - acquisition	13				
Management - maintenance	14		8696	8696	9922
Management - other	15				
Total	16		9261	9261	10462

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		564	564	539
Management - acquisition	43				
Management - maintenance	44		8696	8696	9922
Management - other	45				
Total	46		9261	9261	10462

Long-term insurance business : Linked funds balance sheet

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

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

Directly held linked assets

Value of directly held linked assets	21	97	116
--------------------------------------	----	----	-----

Total

Value of directly held linked assets and units held (18+21)	31	97	116
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	97	116

Long-term insurance business : Summary of new business

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2011**
 Units **£000**

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

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

Regular premium business	11				
Single premium business	12				
Total	13				

**Amount of new regular
premiums**

Direct insurance business	21	67			67	49
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	67			67	49

**Amount of new single
premiums**

Direct insurance business	25	580	8		588	16
External reinsurance	26					
Intra-group reinsurance	27		7749		7749	18686
Total	28	580	7757		8337	18702

Long-term insurance business : Analysis of new business

PEARL ASSURANCE LIMITED

Name of insurer

Total business

Financial year ended

Units

UK Life / Direct Insurance Business

31 December 2011

£000

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
365	Income protection non-profit (reviewable premiums)		67		
435	Miscellaneous non-profit				580

Long-term insurance business : Analysis of new business

PEARL ASSURANCE LIMITED

Name of insurer

Total business

Financial year ended

31 December 2011

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
1	2				
550	Individual deposit administration with-profits - increments				8

Long-term insurance business : Analysis of new business

PEARL ASSURANCE LIMITED

Name of insurer

Total business

Financial year ended

Units

31 December 2011

£000

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
1	2				
200	Annuity with-profits (CPA)				1335
400	Annuity non-profit (CPA)			766	6414

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	745360	717960	29449	3.46	
Other fixed interest securities	13	1792030	1775746	85431	6.62	
Variable interest securities	14	445339	439488	13714	5.11	
UK listed equity shares	15	2825	22609	257	5.13	
Non-UK listed equity shares	16		34830	14	5.63	
Unlisted equity shares	17	77198	77198			
Other assets	18	1762961	1757881	20081	1.14	
Total	19	4825713	4825713	148947	3.90	

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

Land and buildings	21	42088	508823	29289	5.76	(2.64)
Approved fixed interest securities	22	2913488	2928045	104314	2.46	17.01
Other fixed interest securities	23	1425092	1508733	87573	4.93	8.07
Variable interest securities	24	1830283	1699371	50426	6.75	5.89
UK listed equity shares	25		671616	1041	4.75	(5.98)
Non-UK listed equity shares	26		580930	229	4.11	(5.98)
Unlisted equity shares	27	612292	447403	3462	0.81	7.82
Other assets	28	6335232	4813553	15015	2.28	(8.99)
Total	29	13158473	13158473	291350	3.49	1.78

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.81
Return allocated to non taxable 'asset shares'	32					4.62
Return allocated to taxable 'asset shares'	33					4.05

Long-term insurance business : Assets not held to match linked liabilitiesName of insurer **PEARL ASSURANCE LIMITED**Category of assets **11 0:100 BLAGAB**Financial year ended **31 December 2011**Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	39323	39323	1751	2.72	
Other fixed interest securities	13	24194	24194	1424	4.21	
Variable interest securities	14	10209	10209	224	3.49	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	247421	247421	4225	1.71	
Total	19	321147	321147	7625	2.08	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

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

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **12 0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	609333	609333	25374	3.45	
Other fixed interest securities	13	1710445	1710445	81509	6.60	
Variable interest securities	14	416626	416626	13114	4.57	
UK listed equity shares	15	2825	2825	226	8.00	
Non-UK listed equity shares	16					
Unlisted equity shares	17	77198	77198			
Other assets	18	1506780	1506780	15854	1.05	
Total	19	4323206	4323206	136077	3.91	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

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

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **13 90:10**
 Financial year ended **31 December 2011**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	96704	69304	2324	3.99	
Other fixed interest securities	13	57391	41108	2498	8.70	
Variable interest securities	14	18505	12654	375	24.03	
UK listed equity shares	15		19784	31	4.72	
Non-UK listed equity shares	16		34830	14	5.63	
Unlisted equity shares	17				2.05	
Other assets	18	8760	3680	3	0.83	
Total	19	181360	181360	5245	6.79	

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

Land and buildings	21	42088	497221	28577	5.75	(2.50)
Approved fixed interest securities	22	2103595	2135268	71600	2.24	20.08
Other fixed interest securities	23	1128869	1146804	69695	4.97	5.89
Variable interest securities	24	1772276	1699371	50426	6.75	5.89
UK listed equity shares	25		671616	1041	4.75	(5.98)
Non-UK listed equity shares	26		580930	229	4.11	(5.98)
Unlisted equity shares	27	612292	447403	3462	0.81	7.82
Other assets	28	5611983	4092490	2296	2.46	(0.02)
Total	29	11271102	11271102	227328	3.62	4.82

Overall return on with-profits assets

Post investment costs but pre-tax	31					3.16
Return allocated to non taxable 'asset shares'	32					5.31
Return allocated to taxable 'asset shares'	33					4.72

Long-term insurance business : Assets not held to match linked liabilitiesName of insurer **PEARL ASSURANCE LIMITED**Category of assets **14 100:0 SERP**Financial year ended **31 December 2011**Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11				
Approved fixed interest securities	12				
Other fixed interest securities	13				
Variable interest securities	14				
UK listed equity shares	15				
Non-UK listed equity shares	16				
Unlisted equity shares	17				
Other assets	18				
Total	19				

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

Land and buildings	21		11602	711	6.13	(8.59)
Approved fixed interest securities	22	809893	792777	32714	3.06	8.73
Other fixed interest securities	23	296223	361928	17877	4.80	14.97
Variable interest securities	24	58006				
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	723249	721063	12719	1.25	(59.86)
Total	29	1887371	1887371	64022	2.72	(16.38)

Overall return on with-profits assets

Post investment costs but pre-tax	31					0.71
Return allocated to non taxable 'asset shares'	32					0.53
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2840913	10.95	2.43	2.43
Other approved fixed interest securities	21	765769	11.59	3.52	3.47
Other fixed interest securities					
AAA/Aaa	31	290188	9.62	4.08	3.75
AA/Aa	32	248274	9.22	4.20	3.76
A/A	33	1139852	7.63	4.39	3.78
BBB/Baa	34	648901	6.25	5.12	3.88
BB/Ba	35	64540	3.81	7.74	4.70
B/B	36	55616	3.55	10.48	5.05
CCC/Caa	37	8992	3.01	16.14	
Other (including unrated)	38	803922	1.50	9.08	5.49
Total other fixed interest securities	39	3260285	5.98	5.85	4.24
Approved variable interest securities	41	800293	11.09	0.26	2.74
Other variable interest securities	51	1328357	3.32	10.14	5.40
Total (11+21+39+41+51)	61	8995617	8.09	4.71	3.64

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **12 0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	133344	19.73	3.10	3.10

Other approved fixed interest securities	21	475990	11.69	3.55	3.52
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Other fixed interest securities

AAA/Aaa	31	66424	10.50	4.49	4.11
AA/Aa	32	114933	9.32	3.99	3.58
A/A	33	492578	9.25	4.21	3.60
BBB/Baa	34	232791	7.74	4.39	3.29
BB/Ba	35	6095	9.38	10.17	8.63
B/B	36	9016	6.49	8.85	3.61
CCC/Caa	37				
Other (including unrated)	38	788607	1.49	9.25	5.59
Total other fixed interest securities	39	1710445	5.50	6.60	4.51

Approved variable interest securities	41	171143	11.55	2.48	2.48
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Other variable interest securities	51	245483	4.55	6.03	5.12
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Total (11+21+39+41+51)	61	2736403	7.56	5.59	4.20
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **13 90:10**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK Government approved fixed interest securities	11	2108110	9.05	2.26	2.26
Other approved fixed interest securities	21	96463	7.90	3.13	2.98
Other fixed interest securities					
AAA/Aaa	31	122635	6.60	3.87	3.56
AA/Aa	32	80961	7.06	4.20	3.72
A/A	33	492249	5.10	4.31	3.71
BBB/Baa	34	376649	4.96	5.41	4.07
BB/Ba	35	58445	3.23	7.49	4.29
B/B	36	46105	2.91	10.87	5.35
CCC/Caa	37	8992	3.01	16.14	
Other (including unrated)	38	1877	17.48	1.83	
Total other fixed interest securities	39	1187912	5.17	5.10	3.87
Approved variable interest securities	41	629150	10.97	(0.34)	2.81
Other variable interest securities	51	1082874	3.04	11.07	5.46
Total (11+21+39+41+51)	61	5104509	7.09	4.49	3.39

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	599459	15.68	2.87	2.87

Other approved fixed interest securities	21	193317	13.20	3.65	3.58
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Other fixed interest securities

AAA/Aaa	31	101128	12.70	4.07	3.74
AA/Aa	32	52380	12.35	4.68	4.18
A/A	33	155025	10.51	5.24	4.57
BBB/Baa	34	39462	9.87	6.71	5.57
BB/Ba	35				
B/B	36	495	9.89	4.19	3.54
CCC/Caa	37				
Other (including unrated)	38	13438			
Total other fixed interest securities	39	361928	10.93	4.80	4.22

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	1154705	13.78	3.60	3.41
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11	851414	3096191		3947605	3753383
Form 51 - non-profit	12	83164	3683683		3766847	3324840
Form 52	13	579972	2950895		3530867	3630089
Form 53 - linked	14	6380			6380	6912
Form 53 - non-linked	15	257	34234		34491	29823
Form 54 - linked	16	1490	61593		63083	61549
Form 54 - non-linked	17		470		470	409
Total	18	1522677	9827066		11349743	10807005

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	(4823)			(4823)	(5196)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1490			1490	2191
Form 54 - non-linked	27					
Total	28	(3333)			(3333)	(3005)

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		2446274		2446274	2300378
Form 52	33					
Form 53 - linked	34	6283			6283	6796
Form 53 - non-linked	35	250			250	246
Form 54 - linked	36		61454		61454	59224
Form 54 - non-linked	37					
Total	38	6533	2507727		2514260	2366644

Net of reinsurance

Form 51 - with-profits	41	851414	3096191		3947605	3753383
Form 51 - non-profit	42	87987	1237409		1325395	1029658
Form 52	43	579972	2950895		3530867	3630089
Form 53 - linked	44	97			97	116
Form 53 - non-linked	45	7	34234		34241	29577
Form 54 - linked	46		140		140	135
Form 54 - non-linked	47		470		470	409
Total	48	1519477	7319338		8838815	8443367

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11	851414	1681073		2532487	2450123
Form 51 - non-profit	12	24268	116864		141132	138736
Form 52	13	579972	2950895		3530867	3630089
Form 53 - linked	14	6380			6380	6912
Form 53 - non-linked	15	257	34234		34491	29823
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1462291	4783066		6245357	6255683

Reinsurance - external

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

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	6283			6283	6796
Form 53 - non-linked	35	250			250	246
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	6533			6533	7042

Net of reinsurance

Form 51 - with-profits	41	851414	1681073		2532487	2450123
Form 51 - non-profit	42	24268	116864		141132	138736
Form 52	43	579972	2950895		3530867	3630089
Form 53 - linked	44	97			97	116
Form 53 - non-linked	45	7	34234		34241	29577
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1455758	4783066		6238824	6248641

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11		1415118		1415118	1303260
Form 51 - non-profit	12					
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		1415118		1415118	1303260

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41		1415118		1415118	1303260
Form 51 - non-profit	42					
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		1415118		1415118	1303260

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	58896		58896	52226
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16	1490		1490	2191
Form 54 - non-linked	17				
Total	18	60386		60386	54417

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(4823)		(4823)	(5196)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1490		1490	2191
Form 54 - non-linked	27				
Total	28	(3333)		(3333)	(3005)

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	63719		63719	57422
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	63719		63719	57422

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		3566819	3566819	3133878
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		61593	61593	59358
Form 54 - non-linked	17		470	470	409
Total	18		3628882	3628882	3193645

Reinsurance - external

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

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		2446274	2446274	2300378
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		61454	61454	59224
Form 54 - non-linked	37				
Total	38		2507727	2507727	2359602

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		1120545	1120545	833500
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		140	140	135
Form 54 - non-linked	47		470	470	409
Total	48		1121154	1121154	834043

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

PEARL ASSURANCE LIMITED

Name of insurer

90:10

Total business / subfund

31 December 2011

Financial year ended

£000

Units

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	22938	102374	4122				43165
105	Conventional whole life with-profits IB	443715	172963	1288				132163
120	Conventional endowment with-profits OB savings	23346	147828	4823				116937
125	Conventional endowment with-profits OB target cash	29152	408118	12706				483139
130	Conventional endowment with-profits IB	6186	12939	605				12733
155	Conventional pensions endowment with-profits	1482	35951	315				30560
165	Conventional deferred annuity with-profits	1	3					34
205	Miscellaneous conventional with-profits	157	6110	109				3291
210	Additional reserves with-profits OB							14105
215	Additional reserves with-profits IB							15287
300	Regular premium non-profit WL/EA OB	3976	10727					7791
310	Non-profit IB	578766	16125					16203
390	Deferred annuity non-profit	2	1					13
435	Miscellaneous non-profit	87	2054	14				261

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

PEARL ASSURANCE LIMITED

Name of insurer

Total business / subfund 90:10

Financial year ended 31 December 2011

Units £000

UK Pension / Gross

1	2	3	4	5	6	7	8	9
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
155	Conventional pensions endowment with-profits	66463	1486482	4236				1584815
165	Conventional deferred annuity with-profits	289	1561	29				9591
200	Annuity with-profits (CPA)	1	4306					56488
210	Additional reserves with-profits OB							30179
300	Regular premium non-profit WL/EA OB	8726	101467					104307
390	Deferred annuity non-profit	1703	1595					12557

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

Name of insurer
PEARL ASSURANCE LIMITED
 Total business / subfund
0:100 BLAGAB
 Financial year ended
31 December 2011
 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
300	Regular premium non-profit WL/EA OB	27900	72322	864				64554
325	Level term assurance	48270	3614422	15513				(26916)
390	Deferred annuity non-profit	238	32					866
395	Annuity non-profit (PLA)	1082	1366					7787
400	Annuity non-profit (CPA)	924	830					11252
435	Miscellaneous non-profit	7858	184833	1892				1353

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

PEARL ASSURANCE LIMITED

0:100 BLAGAB

31 December 2011

£000

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

1 Product code number	2 Product description	3 Number of policyholders / scheme members	4 Amount of benefit	5 Amount of annual office premiums	6 Nominal value of units	7 Discounted value of units	8 Other liabilities	9 Amount of mathematical reserves
325	Level term assurance		442165	2032				(4418)
435	Miscellaneous non-profit		89239	1305				(404)

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**
 UK Pension / Gross

1	2	3	4	5	6	7	8	9
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
325	Level term assurance	4536	281602	1282				(1667)
390	Deferred annuity non-profit	960	319					11655
400	Annuity non-profit (CPA)	192320	266520					3551877
435	Miscellaneous non-profit		314	10				4954

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

PEARL ASSURANCE LIMITED

Name of insurer

0:100 PENSIONS

Total business / subfund

31 December 2011

Financial year ended

£000

UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)		208381					2446274

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

Name of insurer

PEARL ASSURANCE LIMITED

Total business / subfund

90:10

Financial year ended

31 December 2011

Units

£000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	30072	370529		366775	356429	26025	382454
505	Life UWP whole life regular premium	1522	7525	1244	7452	7452	621	8073
506	Life UWP whole life regular premium (ISA)	27003	116564	10462	115395	115395	15652	131047
515	Life UWP endowment regular premium - target cash	5375	107021	3254	41669	41669	13906	55575
545	Individual deposit administration with-profits	10	10			11		11
575	Miscellaneous UWP	364	2639	137	2639	2539	273	2812

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

Name of insurer PEARL ASSURANCE LIMITED

Total business / subfund 90:10

Financial year ended 31 December 2011

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
795	Miscellaneous property linked		8152	164	6283	6283	250	6533

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

PEARL ASSURANCE LIMITED

Name of insurer

Total business / subfund

90:10

Financial year ended

31 December 2011

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						34234	34234

Long-term insurance business : Valuation summary of index linked contracts**PEARL ASSURANCE LIMITED**

Name of insurer

0:100 BLAGAB

Total business / subfund

31 December 2011

Financial year ended

£000

Units

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
910	Miscellaneous index linked	59	543			1490		1490

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

PEARL ASSURANCE LIMITED
0:100 PENSIONS
31 December 2011
£000
 Name of insurer
 Total business / subfund
 Financial year ended
 Units
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity(CPA)	549	6064			61593	470	62063

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

PEARL ASSURANCE LIMITED

Name of insurer

0:100 PENSIONS

Total business / subfund

31 December 2011

Financial year ended

£000

Units

UK Pension / Reinsurance ceded intra-group

Product code number	1	2	Product description	Number of policyholders / scheme members	3	4	Amount of benefit	5	Amount of annual office premiums	6	Nominal value of units	7	Discounted value of units	8	Other liabilities	9	Amount of mathematical reserves
905		Index linked annuity(CPA)			6051							61454				61454	

Long-term insurance business: Analysis of valuation interest rateName of insurer **PEARL ASSURANCE LIMITED**Subfund **90:10**Financial year ended **31 December 2011**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UKL WP code 100/120/125/300/435	516008	3.50	3.60	4.89
UKL WP code 105/130/215/310	176385	4.00	4.10	5.29
UKL WP code 125/515	165630	1.80	2.25	3.26
UKL WP code 155/300/390	17513	3.40	3.40	5.59
UKL WP code 155/300	13333	2.48	2.48	3.16
UKL WP code 500	115126	1.50	1.87	3.29
UKL WP code 506	131837	2.70	2.70	4.26
UKL WP code 500/505/515/575	323290	1.10	1.11	5.49
UKP WP code 155	715345	2.48	2.48	3.16
UKP WP code 155/165/210	909240	2.40	2.40	3.62
UKP WP code 200	58868	4.20	4.20	5.75
UKP WP code 525	329201	2.70	2.70	3.86
UKP WP code 535	64299	2.00	2.00	2.67
UKP WP code 525	1963077	2.50	2.52	3.77
UKP WP code 525	588582	2.60	2.60	2.81
UKP WP code 525	10056	0.00	0.00	0.26
UKP NP code 300/390	43108	2.48	2.48	3.03
UKP NP code 300/390	73757	2.40	2.40	3.08
Misc	34240	n/a	n/a	n/a
Total	6248895			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PEARL ASSURANCE LIMITED**

Subfund **100:0 SERP**

Financial year ended **31 December 2011**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Pension With Profit	1405734	3.20	3.20	3.23
Misc	9384			
Total	1415118			

Long-term insurance business: Analysis of valuation interest rateName of insurer **PEARL ASSURANCE LIMITED**Subfund **0:100 PENSIONS**Financial year ended **31 December 2011**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP NP code 400	1077656	3.77	3.77	3.87
UKP NP code 400	27724	0.69	0.69	0.71
UKP NP code 325/390/435	10211	2.21	2.21	2.27
UKP NP code 435	4953	3.60	3.60	3.69
UKP NP code 905	470	2.97	2.97	3.05
Total	1121014			

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	9216150	8783404
Bonus payments in anticipation of a surplus	12	97163	74822
Transfer to non-technical account	13	69143	26678
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9382456	8884904
Mathematical reserves	21	8838815	8443365
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	543641	441539

Composition of surplus

Balance brought forward	31	330954	309322
Transfer from non-technical account	32		164650
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	212687	(32433)
Total	39	543641	441539

Distribution of surplus

Bonus paid in anticipation of a surplus	41	97163	74822
Cash bonuses	42		
Reversionary bonuses	43	10170	9085
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	107333	83907
Net transfer out of fund / part of fund	47	69143	26678
Total distributed surplus (46+47)	48	176476	110585
Surplus carried forward	49	367165	330954
Total (48+49)	59	543641	441539

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	6356415	6365146
Bonus payments in anticipation of a surplus	12	97142	74741
Transfer to non-technical account	13	11344	8678
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6464901	6448565
Mathematical reserves	21	6238824	6248640
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	226077	199925

Composition of surplus

Balance brought forward	31	107421	107421
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	118656	92504
Total	39	226077	199925

Distribution of surplus

Bonus paid in anticipation of a surplus	41	97142	74741
Cash bonuses	42		
Reversionary bonuses	43	10170	9085
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	107312	83826
Net transfer out of fund / part of fund	47	11344	8678
Total distributed surplus (46+47)	48	118656	92504
Surplus carried forward	49	107421	107421
Total (48+49)	59	226077	199925

Percentage of distributed surplus allocated to policyholders

Current year	61	90.44	90.62
Current year - 1	62	90.62	90.70
Current year - 2	63	90.70	90.61
Current year - 3	64	90.61	90.46

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1425048	1309482
Bonus payments in anticipation of a surplus	12	21	81
Transfer to non-technical account	13	22000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1447069	1309563
Mathematical reserves	21	1415118	1303260
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	31950	6303

Composition of surplus

Balance brought forward	31	6222	
Transfer from non-technical account	32		164650
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	25728	(158347)
Total	39	31950	6303

Distribution of surplus

Bonus paid in anticipation of a surplus	41	21	81
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	21	81
Net transfer out of fund / part of fund	47	22000	
Total distributed surplus (46+47)	48	22021	81
Surplus carried forward	49	9929	6222
Total (48+49)	59	31950	6303

Percentage of distributed surplus allocated to policyholders

Current year	61	0.09	100.00
Current year - 1	62	100.00	
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	303533	264415
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	303533	264415
Mathematical reserves	21	63719	57422
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	239815	206993

Composition of surplus

Balance brought forward	31	206993	191691
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	32822	15302
Total	39	239815	206993

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	239815	206993
Total (48+49)	59	239815	206993

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1131154	844361
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	35799	18000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1166953	862361
Mathematical reserves	21	1121154	834043
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	45799	28318

Composition of surplus

Balance brought forward	31	10318	10210
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	35481	18108
Total	39	45799	28318

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	35799	18000
Total distributed surplus (46+47)	48	35799	18000
Surplus carried forward	49	10000	10318
Total (48+49)	59	45799	28318

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Date of maturity value / open market option **01 March 2012**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10144	1503	10144	CWP	No	10144
Endowment assurance	20	16512	2028	16512	CWP	No	16512
Endowment assurance	25	28230	4367	28230	CWP	No	28230
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	43957	5897	43957	UWP	No	43957
Regular premium pension	20	69298	13994	69298	UWP	No	69298
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	18295	4084	18295	UWP	No	18295
Single premium pension	20	33842	15455	33842	UWP	No	33842

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

Name of insurer PEARL ASSURANCE LIMITED
 Original insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY
 Date of surrender value 01 March 2012

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9310	0	n/a	CWP	No	17346
Endowment assurance	20	16433	640	n/a	CWP	No	21077
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Global business

Financial year ended **31 December 2011**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		1.00		
Classes I (other), II and IX	14	0.3%	4163817	4163817	12491	13062
Classes III, VII and VIII	15	0.3%	1619		2	4
Total	16		4165436	4163817	12494	13065

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				87	91
--	----	--	--	--	----	----

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	11289409	8847816	0.85	95960
Classes III, VII and VIII (investment risk)	33	1%	62519	1066	0.85	531
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	103	103	1.00	1
Classes III, VII and VIII (other)	35	25%				42
Class IV (other)	36	1%	1348	2	0.85	11
Class V	37	1%				
Class VI	38	1%				
Total	39					96546

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	11289409	8847816	0.85	287880
Classes III, VII and VIII (investment risk)	43	3%	62519	1066	0.85	1594
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	103	103		
Classes III, VII and VIII (other)	45	0%	6533			
Class IV (other)	46	3%	1348	2	0.85	34
Class V	47	0%				
Class VI	48	3%				
Total	49		11359912	8848987		289509

Long term insurance capital requirement	51					398635
						380712

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Appendix 9.1

0101 Modification to the Return in respect of general insurance business

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

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

- (a) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.
- (b) The Financial Services Authority, on the application of the firm, made a direction in December 2003, which it varied in May and November 2004. The effect of the direction (as varied) is to enable the firm to apply a business amount of 5% to investments in collateralised debt obligations, in aggregate. £nil (2010: £nil) in line 43 of Form 13 relates to the firm's investments in those assets.
- (c) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in April 2009. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury.

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

	2011	2010
	£'000	£'000
Form 13 line 89 (total other than long term insurance business assets)	550,703	660,979
Form 13 line 89 (total long term insurance business assets)	17,984,423	15,692,588
Less Form 14 line 71	16,603,482	14,420,570
Less Form 15 line 69	442,708	360,260
Net admissible assets	<u>1,488,936</u>	<u>1,572,737</u>
Subordinated debt – Form 3 line 52	250,000	250,000
Capital resources requirement of regulated related undertakings	181,510	187,268
Form 3 line 79 – Total capital resources	<u><u>1,920,445</u></u>	<u><u>2,010,005</u></u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Appendix 9.1 (continued)

***0307* Financial reinsurance accepted**

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

The entry on Form 3 line 93 represents a contingent premium due from London Life Limited which equals the liability of £22,000 (2010: £22,000) included in Form 51.

***0310* Valuation differences**

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

	2011 £'000	2010 £'000
Positive valuation differences in respect of liabilities		
Actuarial valuation differences		
- 90:10 – IFRS to Peak 1	846,835	769,576
	<u>846,835</u>	<u>769,576</u>
Negative valuation differences in respect of liabilities		
Provision for "reasonably foreseeable adverse variations"	(5,800)	(8,450)
Actuarial valuation differences between Peak 1 and IFRS		
- 0:100 Life	(277)	(304)
- 0:100 Pensions	(21,670)	(18,360)
- 100:0 SERP	(92,021)	(116,095)
- 0:100 Pensions – Deferred tax	4,889	4,889
- 0:100 Life – Deferred tax	4,655	-
	<u>(110,224)</u>	<u>(138,320)</u>
Net valuation difference	<u>736,611</u>	<u>631,256</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Appendix 9.1 (continued)

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

	2011 £'000	2010 £'000
Profit and loss account and other reserves - Form 3 line 12 at 1 January	720,410	728,873
Restatement of opening balance due to change in reporting from UKGAAP to IFRS	-	2,598
Profit/(loss) retained for the financial year - Form 16 line 59	128,073	(116,466)
Surplus arising in the year within the long term funds	39,492	42,821
Deferred tax in other than long term fund	7,859	-
Provision for "reasonably foreseeable adverse variations"	(550)	550
Valuation of subsidiary undertakings	(198,257)	(75,938)
Transfer (from)/to the long term funds	(69,143)	137,972
Profit and loss account and other reserves - Form 3 line 12 at 31 December	627,884	720,410

***1301* Unlisted and listed investments**

	2011 £'000	2010 £'000
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	-	9,345
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	17,794	-
Total	17,794	9,345

The above amounts in respect of listed investments that are not readily realisable fall within any of lines 41, 42, 46, or 48 of Form 13 Total other than long term insurance business assets.

***1304* & *1310* Set off**

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.

Interfund balances, which exist between the shareholder fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

Returns under the Accounts and Statements Rules

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PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

1305 & *1319* Counterparty limits

- (a) The investment guidelines operated by the insurer limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the market and counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- (b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for the longer term, modifications may be sought.
 - Loans to other companies in the same group, where application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- (c) In accordance with these investment guidelines, during 2011, there were no breaches (2010: £nil).

1313 Fully secured rights

On 4 May 2007 the Company entered into a reinsurance arrangement with Opal Reinsurance Limited ("Opal"). The arrangement involved the reinsurance of specified pension annuities in payment to Opal and was effective from 1 January 2007.

1308 Unlisted and listed investments

	2011 £'000	2010 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	713,937	1,019,377
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	90,429	201,503
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	792,561	830,304
Total	<u>1,596,927</u>	<u>2,051,184</u>

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

1309 Hybrid securities

The aggregate value of Hybrid Securities held by the insurer is £667,893,843.

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PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

***1318* Other asset adjustments**

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

<u>2011</u>	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	(7,046)	76	(7,019)	-	(103)
Value of SERP support fund	(101,951)	-	-	(101,951)	-
Total	(108,997)	76	(7,019)	(101,951)	(103)

<u>2010</u>	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	(25,319)	(131)	(8,560)	(8,232)	(8,396)
Value of SERP support fund	(122,318)	-	-	(122,318)	-
Total	(147,637)	(131)	(8,560)	(130,550)	(8,396)

***1321* Other asset adjustment**

At the valuation date, an internal inflation swap arrangement between the BLAGAB, Pensions and 90:10 Funds and the Shareholder Fund was deemed to have been closed out and a transfer of assets totalling £20 million (2010: £16 million) has been reflected on Line 44 with an equal and opposite entry in line 43.

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

<u>2010</u>	Total other than long term £'000	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	90:10 £'000
Settlement of internal swap	16,218	(16,218)	(1,013)	(5,529)	(9,676)

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

1321 Other asset adjustment (continued)

Entity reconciliation to Statutory Accounts

	2011 £'000	2100 £'000
Form 13 line 102 Total long term insurance business assets	20,461,114	18,030,780
Form 13 line 102 Total other than long term insurance business assets	1,038,711	1,125,065
Entity adjustments in statutory accounts	8,887	-
Total IFRS Assets	<u>21,508,712</u>	<u>19,155,845</u>

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

1401 & *1501* Provision for reasonably foreseeable adverse variations

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid (with a lock up period of greater than one year) or is valued using an internal model. These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R which are applied to all identified assets. In assessing the need for a provision the following assumptions have been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times. A provision is established for less liquid positions.
- Opal assets are collateralised and the assets and liabilities are matched. Opal assets are regularly assessed to ensure that there is sufficient liquidity within the funds to meet its obligations therefore no further adjustments are considered necessary for Opal assets.

A provision of £5.8m has been established which includes:

- £3.2m in respect of illiquid assets notably hedge funds and unlisted equities. The provision on these assets is calculated as the average return on the liquidity funds, 0.7% pa for 2011, applied for 3 months to the value of hedge fund assets and 6 months to the value of private equity.
- £2.6m in relation to the insurer's stock lending activities where there is an identified difference in the maturity profile of the collateral liabilities and the reinvested collateral assets. The provision on this activity is based on the probability of not being able to renegotiate 10% of the collateral liabilities when they become due and is calculated as the cost of borrowing to cover the 10% shortfall at the Group's cost of borrowing rate, discounted at the risk-free rate.

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

1402 Liabilities

(a) A reinsurance treaty between the insurer and Opal was signed during 2007. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to Opal, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and Opal has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £2,525 million (2010: £2,414 million) (see table below).

Assets which are subject to the charge	2011 £000	2010 £000
<u>Form 13</u>		
Line 22 – UK insurance dependants – debts and loans	65,000	-
Line 25 – Shares in non-insurance dependants	-	59,453
Line 26 – Loans to non-insurance dependants	119,500	119,500
Line 41 – Equity shares	80,023	74,099
Line 43 – Holdings in collective investment schemes	743,083	847,950
Line 44 – Rights under derivative contracts	454,884	239,581
Line 45 – Approved fixed interest securities	339,422	352,700
Line 46 – Other fixed interest securities	1,054,338	347,643
Line 47 – Approved variable interest securities	95,432	76,526
Line 48 – Other variable interest securities	142,928	492,451
Line 58 – Assets held to match index linked liabilities	140	135
Line 78 – Other due in 12 months or less	-	7,662
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	6,296	3,787
Line 84 – Accrued interest and rent	19,404	25,123
<u>Less Form 14</u>		
Line 38 – Creditors – Reinsurance ceded	4	-
Line 38 – Creditors – Other	595,388	232,559
Total	<u>2,525,058</u>	<u>2,414,051</u>

(b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £nil (2010: £nil).

Returns under the Accounts and Statements Rules

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PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

***1402* Liabilities (continued)**

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

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision included in the Peak 1 mathematical reserves for Phase 1 cases is £586 million (2010: £519 million). The provision included in the Peak 1 mathematical reserves for Phase 2 cases is £8 million (2010: £7 million).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £4 million (2010: £5 million).

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

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

Returns under the Accounts and Statements Rules

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PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

***1405* Other liabilities adjustments**

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

<u>2011</u>	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	(7,046)	76	(7,019)	-	(103)
Provision for "reasonably foreseeable adverse variations"	(5,800)	-	-	-	(5,800)
- 0:100 Pensions – Deferred tax	9,543	4,654	4,889	-	-
- Actuarial valuation differences between Peak 1 and IFRS	732,867	(277)	(21,670)	(92,021)	846,835
	<u>729,564</u>	<u>4,453</u>	<u>(23,800)</u>	<u>(92,021)</u>	<u>840,932</u>

<u>2010</u>	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	(25,319)	(131)	(8,560)	(8,232)	(8,396)
Provision for "reasonably foreseeable adverse variations"	(7,900)	-	-	-	(7,900)
- 0:100 Pensions – Deferred tax	4,889	-	4,889	-	-
- Actuarial valuation differences between Peak 1 and IFRS	634,817	(304)	(18,359)	(116,096)	769,576
	<u>606,487</u>	<u>(435)</u>	<u>(22,030)</u>	<u>(124,328)</u>	<u>753,280</u>

***1412* Entity Reconciliation to Statutory Accounts**

	2011 £'000	2100 £'000
Form 14 line 76 Total liabilities	(20,461,114)	(18,030,780)
Form 15 line 85 Total liabilities	(1,038,711)	(1,125,065)
Entity adjustments in statutory accounts	(8,887)	-
Total IFRS liabilities	<u>(21,508,712)</u>	<u>(19,155,845)</u>

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

Returns under the Accounts and Statements Rules

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PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Appendix 9.1 (continued)

***1502* Liabilities**

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains for the other than long term insurance business fund if the insurer disposed of its assets (2010: £nil).
- (c) There are no contingent liabilities
- (d) The insurer has no forward commitments in respect of group undertakings (2010: £nil). The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

***1504* Deficits in related undertakings**

This represents a deficit in the valuation of National Provident Life Holdings Limited of £87,951,000 (2010 £nil).

***1507* Other liabilities adjustments**

	2011 £'000	2010 £'000
Provision for reasonably foreseeable adverse variations	-	(550)
Valuation of subsidiary undertakings	(87,951)	-
Form 15 line 83	<u>(87,951)</u>	<u>(550)</u>

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

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

***1603* Other income and charges**

The total of other income and charges for 2011 is a charge of £212,000 (2010: £34,000), comprising:

	2011 £'000	2010 £'000
Professional fees	(538)	(202)
Commission received	203	168
Release of provision	123	-
Total other (charges)/income	<u>(212)</u>	<u>(34)</u>

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Supplementary Notes

PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.1 (continued)

1701 Variation margin

Our practice is to seek collateral for derivative asset positions from our counterparties as part of our overall credit risk.

Credit risk on exchange traded derivatives is managed through initial and variation margin. The insurer has a liability to repay "excess" variation margin received at the end of the financial year of £2,591k included in Form 13 Line 81 and has been reflected as "variation margin" in form 17 Line 52.

Credit risk on over the counter derivatives is managed through collateralisation and is received on the basis of "net" exposure from derivative assets and liabilities from each counterparty. Collateral is received in the form of cash or approved fixed interest securities.

Where cash is held as collateral, in line with IFRS accounting standards, it is reported in Form 13 Line 43 with an equal liability to repay the collateral in Form 14 Line 38 rather than reducing the value shown in form 13 Line 44. This balance of £977m has in consequence not been reflected as "variation margin" in Form 17 Line 52. Where collateral is received in the form of approved fixed interest securities, in line with IFRS accounting standards, such collateral is not reported as an asset in Form 13 or a liability in Form 14. This balance of £nil has not been reported in Form 13 line 45 and Form 17 Line 52.

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Appendix 9.2

***20Ae* Facultative reinsurance business**

The amount reported on Form 20A category 002 which is attributable to facultative reinsurance business is zero.

***2100* Accident year premiums**

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

***2202* Claims management expenses**

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

***2204* Acquisition costs**

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

***2402* Underwriting year accounting**

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

***2404* Claims management expenses**

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

***2406* Acquisition costs**

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

***2501* Unearned premiums**

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

***3001* Yield**

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

Returns under the Accounts and Statements Rules

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PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.2 (continued)

***3003* Discounting methods**

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

Combined Category	Risk Category	Rate of Interest	Expected interval to settlement date
Primary (direct) and facultative commercial lines business			
Employers Liability	271	1.50%	11.1 years
Public and Products Liability	273	1.50%	10.3 years

Methodology used:

In calculating the technical provisions in respect of long term UK Industrial disease business the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cash flows. The average period before the undiscounted liability will be settled has been estimated at 11.1 years (2010: 14.5 years) and the provision has been discounted at an interest rate of 1.5% (2010: 1.9%).

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

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

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

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Financial year ended 31 December 2011

Appendix 9.3

***4002* Other income and expenditure**

2011

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

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

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

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

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

2010

The total of other income of £4,721,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Commission received	668	149	-	519
Management charge	3,574	-	3,574	-
Transfer of management charge	467	-	467	-
Sundry Income	12	-	-	12
	<u>4,721</u>	<u>149</u>	<u>4,041</u>	<u>531</u>

The total of other expenditure of £287,283,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Change in Deposits received from reinsurers ⁽¹⁾	287,283	-	287,283	-
	<u>287,283</u>	<u>-</u>	<u>287,283</u>	<u>-</u>

Returns under the Accounts and Statements Rules

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PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.3 (continued)

4002 Other income and expenditure (continued)

(1) Other expenditure in line 25 of £287m represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

4004 Transfers of contracts

Business transfer in are split by fund as follows:

	2011 £'000	2010 £'000
100:0 SERP	-	1,181,710
0:100 BLAGAB	-	912
0:100 Pensions	239,366	233,144
Total	<u>239,366</u>	<u>1,415,766</u>

Business transfers-out are split by fund as follows:

90:10	(160,486)	(172,173)
0:100 BLAGAB	(93)	-
0:100 Pensions	(633)	-
100:0 SERP	(51,891)	(35,253)
Total	<u>(213,104)</u>	<u>(207,426)</u>

The business transfers between the funds consist of vesting annuities. Of the balance transferred in to 0:100 Pensions, £24,606,000 is in relation to vestings from London Life Limited. The vesting annuities have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively, but in business transfers-in and business transfers-out instead. As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47.

4006 Apportionments between long term funds

The insurer maintains more than one long term insurance business fund. Separate portfolios of investments are maintained for and are directly attributable to each fund. Expenses not directly attributable to each class of business have been allocated to funds on an appropriate basis.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.3 (continued)

***4008* Provision of management services**

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

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

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

The insurer entered into a reinsurance treaty, effective 1 January 2007, with Opal. Details of this reinsurance treaty are to be found in paragraph 9 of the Abstract of Valuation Report.

During the year the insurer paid £92.1m (2010: £52.8m) and £17.0m (2010: £23.6m) to Pearl Group Services Limited and Ignis Investment Management Limited in respect of services provided.

At 31 December 2011 there were £602.6m (2010: £392.6m) in loans made to its holding company, Pearl Group Holdings (No. 2) Limited. There was a new loan of £200m issued in July 2011. These loans are interest bearing. Two of these loans are repayable on 13 December 2013, one is repayable on 31 December 2013, one is repayable on 12 May 2015 and one is repayable on 13 December 2016.

At 31 December 2011 there were £115.0m (2010: £115.0m) in loans made to its subsidiary company, National Provident Life Limited. These loans are interest bearing and are repayable on 30 June 2016 and 2 September 2019. There was also a loan of £80.0m (2010: £80.0m) to its subsidiary company National Provident Life Holdings Limited. This loan is interest bearing and has no fixed term.

At 31 December 2011 there was a £250.0m (2010: £250.0m) loan to the insurer by a fellow group company Phoenix Life Holdings Limited. This loan is interest bearing and is repayable on 2 September 2019.

***4500* Internal linked funds**

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

***4801* Asset mix for assets share portfolio**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Appendix 9.3 (continued)

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

The asset share philosophy for this portfolio at 31 December 2011 assumes an asset mix of:

Land and buildings	11.4%
Approved fixed interest securities	21.8%
Other fixed interest securities	16.5%
Variable interest securities	3.3%
UK listed equity shares	28.3%
Non-UK listed equity shares	0.0%
Unlisted equity shares	10.3%
Other assets	8.5%

4803 **Assumptions regarding redemption dates**

90:10, 0:100 BLAGAB and 0:100 Pensions Funds

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets at the valuation date was £156m for the with-profit funds and £836m for the non profit funds.

100:0 SERP Fund

For assets that may be redeemed in full at the option of the guarantor or the issuer on specified dates, the assumed maturity date has been at the first call date. The value of callable corporate bonds at the valuation date was £18 million. It has been assumed the sinking bonds will be redeemed according to schedules of planned redemptions provided by the investment manager. The value of sinking bonds was £68 million at the valuation date.

4806 **Assets used to calculate investment returns in column 5 Form 48**

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

4900 **Long-term insurance business: Fixed and variable interest assets**

0:100 BLAGAB and 0:100 Pensions Funds

Form 49 Life Non Profit has not been included in the return as the Company satisfies the de-minimis limit as the fixed and variable interest securities do not exceed £100m

4901 **Credit rating agency**

90:10, 0:100 BLAGAB and 0:100 Pensions Funds

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

100:0 SERP Fund

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

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Financial year ended 31 December 2011

Appendix 9.3 (continued)

5500 Internal linked funds

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

5600 Index linked business

Form 56, long term insurance business: index linked business, has not been included in the return as the insurer satisfies the de minimis limit.

5700 Long-term insurance business: Fixed and variable interest assets

0:100 BLAGAB and 0:100 Pensions Funds

Form 57 Life Non Profit business has not been included in the return as the Company satisfies the de-minimis limit as the fixed and variable interest securities do not exceed £100m.

5702 Risk adjusted yield

0:100 Pensions Fund

- (a) As referred to in note 0201, the FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Market Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

(b)

Product group	Risk adjusted yield on matching assets	Adj	Risk adjusted yield on matching assets using FSA waiver
UKP NP code 400	4.07	(0.20)	3.87
UKP NP code 400	0.71	-	0.71
UKP NP code 325/390/435	2.26	0.01	2.27
UKP NP code 905	3.04	0.01	3.05

5802 Transfer to non-technical account

Due to the surplus arising during 2011, £22m of the capital support provided by the shareholders has been repaid by a transfer to the non-technical account as at 31 December 2011. The basis of allocation is unaltered from the previous year and remains as 100:0 but the instructions for completing the Form 58 does not allow it to be shown this way.

5900 With-profits payouts

Forms 59A and 59B for the SERP fund have not been included in the return as it does not have any policies written within the original terms (years) set out in the forms.

Returns under the Accounts and Statements Rules

Statement of major treaty reinsurers required by rule 9.25

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Full name of major reinsurer	Address	Details of connection (if any)	Proportional Treaty premiums paid in the financial year £000	Non Proportional Treaty premiums paid in the financial year £000	Debtor included at Line 75 of Form 13 £000	Deposits received included at Line 31 of Form 15 £000	Anticipated recoveries included at Line 61 of Form 13 £000
Churchill Insurance Company Limited	Churchill Court Westmoreland Road Bromley Kent BR2 1DP	None					3,366
Swiss Re Europe	Swiss Re Europe S.A., Niederlassung Deutschland Dieselstraße 11, 85774 Unterföhring bei München Germany	None					5,280
National Indemnity Company	3024 Hamey Street Omaha Nebraska 68131	None					-
European International Reinsurance Company	Chancery House High Street Bridgetown Barbados West Indies	None					-

Returns under the Accounts and Statements Rules

Statement of major facultative reinsurers required by rule 9.26

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

The insurer has no major facultative reinsurers.

Returns under the Accounts and Statements Rules

Statement of major cedants required by rule 9.27

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

The insurer has no major cedants.

Returns under the Accounts and Statements Rules

Statement required under rule 9.32

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

Reinsurance contracts entered into in the year

No outward contracts of non-facultative reinsurance were entered into or modified during the financial year.

Reinsurance premiums ceded in the year

No reinsurance premiums were ceded in the year

There was no exposure to incidents during the year as all policy terms have expired.

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

The insurer has no contracts of insurance under which general insurance business has been ceded which meet the conditions in rule 9.32A (2).

The determination of whether a contract of insurance meets one or both of the conditions in 9.32A (2) is arrived at after taking appropriate internal and external advice regarding the value placed on future payments in respect of each contract relative to the economic value provided by that contract. Information gathered from ongoing monitoring of the reinsurers' financial position for each contract of insurance is also brought into consideration.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

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

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

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

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

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

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

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

- (c) During the financial year the insurer bought and sold options where, at outset, the strike price of a call option was above the price of the underlying instrument or the strike price on a put option was below the price of the underlying instrument.

The total nominal value of payer swaptions where the fixed rate exceeds 8% p.a., and hence which would require a significant market movement to become 'in the money' options was £122m. Of the traded equity index options £3m (nominal value) were out of the money during 2011.

- (d) The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R or did not fall within the definition of a permitted derivative contract, attention is drawn to the internal derivative detailed below.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

(continued)

During December 2011 an equity total return swap was traded between the Pearl Other Than Long Term Business fund (OTLTB) and London Life OTLTB fund with a nominal value of £50m. The valuation of this derivative as at 31 December 2011 was £1.6m, and the asset was removed from the Pearl OTLTB for FSA reporting purposes, but the corresponding derivative liability remains in the London Life OTLTB returns. The derivative asset is considered to be inadmissible according to the rules of INSPRU 3.2.5R regarding trading with approved counterparties.

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Pearl Assurance Limited

Global Business

Financial year ended 31 December 2011

The persons who, to the knowledge of the insurer, were controllers at any time during the financial year were:

- a) Pearl Group Holdings (No. 2) Limited;
- b) Phoenix Life Holdings Limited;
- c) PGH (LCA) Limited;
- d) PGH (LCB) Limited;
- e) Phoenix Group Holdings;
- f) Xercise Limited;
- g) Alpha-Gamma Shares Limited*;
- h) Alphabet Shares Limited*;
- i) Delta Shares Limited*;
- j) Zeta Shares Limited*;
- k) Eta Shares Limited*;
- l) Theta Shares Limited*;
- m) Iota Shares Limited*;
- n) Kappa Shares Limited*;
- o) TDR Shares Limited*;
- p) Lambda Shares Limited*;
- q) Xercise 2 Limited*;
- r) Jambright Limited;
- s) TDR Capital Nominees Limited; and
- t) TDR Capital LLP

* approved as a controller on 6 April 2011

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

1. Pearl Group Holdings (No. 2) Limited

As at 31 December 2011, Pearl Group Holdings (No. 2) Limited beneficially owned 100% of the issued share capital of Pearl Assurance Limited and was able to exercise 100% of the voting power at any general meeting.

2. Phoenix Life Holdings Limited

As at 31 December 2011, Phoenix Life Holdings Limited owned 100% of the issued share capital of Pearl Group Holdings (No. 2) Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

3. PGH (LCA) Limited

As at 31 December 2011, PGH (LCA) Limited owned 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Pearl Assurance Limited

Global Business

Financial year ended 31 December 2011

(continued)

4. PGH (LCB) Limited

As at 31 December 2011, PGH (LCB) Limited owned 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Phoenix Group Holdings

As at 31 December 2011, Phoenix Group Holdings owned 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited, which between them owned 100% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power of PGH (LCA) Limited and PGH (LCB) Limited at any general meeting.

6. Xercise Limited

As at 31 December 2011, Xercise Limited owned one share in Phoenix Group Holdings (equivalent to 0.00000057%), a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise its voting rights in respect of the one share (equivalent to 0.00000057%) at any general meeting of Phoenix Group Holdings.

7. Alpha-Gamma Shares Limited

As at 31 December 2011, Alpha-Gamma Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 3.89% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 3.89% of the voting power at any general meeting.

8. Alphabet Shares Limited

As at 31 December 2011, Alphabet Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.43% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.43% of the voting power at any general meeting.

9. Delta Shares Limited

As at 31 December 2011, Delta Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.34% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.34% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Pearl Assurance Limited

Global Business

Financial year ended 31 December 2011

(continued)

10. Zeta Shares Limited

As at 31 December 2011, Zeta Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 1.14% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 1.14% of the voting power at any general meeting.

11. Eta Shares Limited

As at 31 December 2011, Eta Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 1.32% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 1.32% of the voting power at any general meeting.

12. Theta Shares Limited

As at 31 December 2011, Theta Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.41% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.41% of the voting power at any general meeting.

13. Iota Shares Limited

As at 31 December 2011, Iota Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.57% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.57% of the voting power at any general meeting.

14. Kappa Shares Limited

As at 31 December 2011, Kappa Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.06% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.06% of the voting power at any general meeting.

15. TDR Shares Limited

As at 31 December 2011, TDR Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.44% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.44% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Pearl Assurance Limited

Global Business

Financial year ended 31 December 2011

(continued)

16. Lamda Shares Limited

As at 31 December 2011, Lamda Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 0.01% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 0.01% of the voting power at any general meeting.

17. Xercise2 Limited

As at 31 December 2011, Xercise2 Limited directly owned 4.7% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to directly exercise 4.7% of the voting power at any general meeting.

As at 31 December 2011, Xercise2 Limited and its subsidiary undertakings, which are associates within the meaning of the Financial Services and Markets Act 2000, in aggregate owned 13.3% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and were able to exercise 13.3% of the voting power at any general meeting.

18. Jambright Limited

As at 31 December 2011, Jambright Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 2.6% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 2.6% of the voting power at any general meeting.

19. TDR Capital Nominees Limited

As at 31 December 2011, 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, owned 13.7% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 13.7% of the voting power at any general meeting.

In addition, TDR Capital Nominees Limited's ownership of 100% of the B Ordinary class of shares in Xercise2 Limited, ultimately entitles them to the 0.44% interest in the share capital of Phoenix Group Holdings owned by TDR Shares Limited.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Pearl Assurance Limited

Global Business

Financial year ended 31 December 2011

(continued)

20. TDR Capital LLP

As at 31 December 2011, TDR Capital LLP its subsidiary undertakings, which are associates within the meaning of the Financial Services and Markets Act 2000, in aggregate owned 16.7% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and were able to exercise 16.7% of the voting power at any general meeting.

PEARL ASSURANCE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31 December 2011.
- (2) The date to which the previous actuarial investigation under IPRU (INS) rule 9.4 related was 31 December 2010.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU (INS) rule 9.4).

Product range

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

The answers to questions in paragraphs 3 to 10 will be provided in two separate parts, one for Pearl Assurance Limited's 90:10 with-profits, 0:100 BLAGAB and 0:100 Pensions funds; and a second for Pearl Assurance Limited's SERP fund.

90:10 with-profits, 0:100 BLAGAB and 0:100 Pensions funds

Discretionary charges and benefits

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

Product	Policy Year of entry	Period applied
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Jun 2002	Jan 2011 to Dec 2011
	Apr 2005 to Jun 2005	Jan 2011 to Mar 2011
	Jul 2005 to Dec 2005	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Jan 2006 to Mar 2008	Jan 2011 to Dec 2011
	Apr 2008 to Sep 2008	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
	Jul 2010 to Sep 2010	Jan 2011 to Mar 2011
	Oct 2010 to Mar 2011	Oct 2011 to Dec 2011
	Reinsurance Accepted Portfolio Bond 1b & Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Sep 2001
Oct 2001 to Mar 2002		Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
Apr 2002 to Jun 2002		Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
Oct 2005 to Jun 2006		Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
Jul 2006 to Sep 2006		Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
Oct 2006 to Dec 2007		Jan 2011 to Dec 2011
Jan 2008 to Mar 2008	Jan 2011 to Mar 2011	
	Oct 2011 to Dec 2011	
Reinsurance Accepted Investment Bond	Oct 2000 to Mar 2002	Jan 2011 to Dec 2011
	Apr 2002 to Jun 2002	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Jul 2005 to Dec 2005	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
	Jan 2006 to Dec 2007	Jan 2011 to Dec 2011
	Jan 2008 to Mar 2008	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Apr 2008 to Jun 2008	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Mar 2001	Jan 2011 to Dec 2011
	Apr 2001 to Jun 2001	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
	Oct 2006 to Dec 2006	Oct 2011 to Dec 2011
	Apr 2007 to Jun 2007	Jan 2011 to Dec 2011
	Jul 2007 to Dec 2007	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Jan 2011 to Mar 2011	Oct 2011 to Dec 2011

Product	Policy Year of entry	Period applied
Reinsurance Accepted Individual Pensions & Reinsurance Accepted Group Pensions	Jan 2000 to Sep 2001	Jan 2011 to Dec 2011
	Oct 2001 to Mar 2002	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Apr 2002 to Jun 2002	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
	Oct 2005 to Dec 2005	Jan 2011 to Mar 2011
	Jan 2006 to Jun 2006	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
	Jul 2006 to Sep 2006	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Oct 2006 to Dec 2007	Jan 2011 to Dec 2011
	Jan 2008 to Mar 2008	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Apr 2008 to Jun 2008	Jan 2011 to Mar 2011
	Oct 2011 to Dec 2011	
	Jul 2008 to Sep 2008	Jan 2011 to Mar 2011
	Oct 2010 to Mar 2011	Oct 2011 to Dec 2011
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Mar 2001	Jan 2011 to Dec 2011
	Apr 2001 to Jun 2001	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Jul 2001 to Sep 2001	Oct 2011 to Dec 2011
	Oct 2006 to Dec 2006	Oct 2011 to Dec 2011
	Jan 2007 to Mar 2007	Jan 2011 to Mar 2011
		Oct 2011 to Dec 2011
	Apr 2007 to Jun 2007	Jan 2011 to Dec 2011
	Jul 2007 to Dec 2007	Jan 2011 to Jun 2011
		Oct 2011 to Dec 2011
	Jan 2008 to Mar 2008	Oct 2011 to Dec 2011
	Oct 2010 to Mar 2011	Oct 2011 to Dec 2011

Note:

1. The MVAs for Homebuyer version 1 are calculated individually per policy dependent on the actual date premiums were paid.
- (2) There have been no changes to premium rates for Pension and Life reviewable protection policies during the financial year.
- (3) No policies have been sold in this category.
- (4) Policy fees for Homebuyer version 1 were increased in 2011 in line with the National Average Earnings Index, an increase of 1.4%.
- (5) During the financial year, benefit charges remained unchanged on linked products.
- (6) The following levels of unit management charges were introduced for Individual Pensions UWP - PP on 1 January 2011:

Regular Premiums and Paid Up Policies	1.21% pa
Single Premiums	0.93% pa
DSS Recurrent Single Premiums	0.98% pa

During the financial year, unit management charges for all other unitised accumulating with-profits and linked business remained unchanged.

The amount of business affected by this change involve basic mathematical reserves of £904m for regular premium and paid up policies, £237m for single premium policies and £814m for DSS recurrent single premium policies.

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

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

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

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

Equity (Collective Investment Scheme Holdings)	20.0%	19.0%	20.0%	19.0%
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Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the “deemed disposal” regime. The tax rate used for this purpose at the end of 2011 was 19%.

(9) See (8) above.

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

Valuation basis (other than for special reserves)

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

NON LINKED BUSINESS

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

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

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

LINKED BUSINESS

Unit-linked business mathematical reserves are determined by valuing units allocated to policies and adding a non-unit reserve.

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

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

Sub Fund	Product Group	2011	2010	Product Code
90:10	Conventional Life Business	3.50%	2.50%	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	4.00%	3.00%	105, 130, 310
90:10	Conventional General Annuity endowments	3.40%	5.40%	155, 300
90:10	Conventional Pensions deferred annuities	2.40%	3.90%/3.40% ⁽¹⁾	165, 390
90:10	Conventional Pensions endowments	2.40%	3.90%	155, 300
90:10	Reinsurance Accepted Immediate Annuities	4.20%	3.20%	200
90:10	Individual Pensions UWP - PP	2.50%	2.50%	525
90:10	Individual Pensions UWP	2.70%	2.70%	525
90:10	Unitised Accumulating With Profits – Life Business	1.10%	1.10%	500, 505, 515, 575
90:10	Reinsurance Accepted Bonds	1.50%	1.50%	500
90:10	Unitised Accumulating With Profits – ISA Business	2.70%	2.70%	506
90:10	Reinsurance Accepted Pensions Business	2.00%	2.00%	535
0:100 BLAGAB	Conventional General Annuity pre 1992	3.52%	3.98%	390, 395, 400
0:100 BLAGAB	Conventional Life Assurances	2.61%	3.57%	300, 325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances	5.28%	5.18%	325, 435
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	3.77%	4.15%	400
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	3.77%	4.23%	400
0:100 Pensions	Conventional Pensions Immediate Annuities – index linked	2.97%	3.95%	905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities – index linked	2.97%	4.23%	905

Note:

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

(3) Approved Securities

No reduction was applied other than a yield deduction on sovereign debt rated below AAA, or sovereign debt rated AAA but notched downwards to below AAA in line with the description for other securities below.

Other securities

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

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

Credit Rating	Standard (non-subordinated) Debt		
	Term		
	5 year	10 year	20 year
AAA	4.3	12.3	15.2
AA	19.0	32.1	48.2
A	33.2	47.7	65.3
BBB	82.8	104.1	122.4
BB	261.3	277.3	287.2
B	591.7	524.7	442.5

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

- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the standard approach.
- For corporate bonds rated below B no value was taken for the yield.
- An additional reserve of £33.1m is held to allow for higher levels of default in the medium term. This is not reflected in the default rates in the table above.

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

Properties were categorised into directly owned and indirectly owned. The yield is determined for each individual property and then restricted to a maximum of 6.0%.

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

Quoted UK and overseas equities:

Greater than 5%
Greater than 4.5% but less than 5%
Greater than 4.0% but less than 4.5%
Greater than 3.5% but less than 4.0%
Greater than 3.0% but less than 3.5%
Greater than 2.5% but less than 3.0%

Greater than 2.0% but less than 2.5%
Greater than 1.5% but less than 2.0%
Greater than 1.0% but less than 1.5%
Greater than 0.0% but less than 1.0%
Equal to 0.0%

Unquoted equities:

Greater than 0.0%
Equal to 0.0%

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

Sub Fund	Product Group	2011		2010		Product Code
		Male	Female	Male	Female	
90:10	Conventional Life Business	116% AMC00	116% AFC00	116% AMC00	116% AFC00	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
90:10	Conventional General Annuity endowments	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
90:10	Conventional Pensions deferred annuities (pre vesting basis)	79% AMC00	79% AFC00	79% AMC00	79% AFC00	165, 390
90:10	Conventional Pensions deferred annuities (post vesting basis)	106.8% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	111.6% RFV00 improvements CMI_2009 C2026 ^{(1) (2)}	104% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	118% RFV00 Improvements CMI_2009 C2025 ^{(1) (2)}	165, 390
90:10	Conventional Pensions endowments with a variable retirement age	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
90:10	Conventional Pensions endowments – Other – Compound Bonus	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155
90:10	Conventional Pensions endowments – Other – Simple Bonus	97% AMC00	97% AFC00	97% AMC00	97% AFC00	155, 300
90:10	Reinsurance Accepted Immediate Annuities	90% PMA00 Improvements CMI_2009 ⁽¹⁾	85% PFA00 Improvements CMI_2009 ⁽¹⁾	90% PMA00 Improvements CMI_2009 ⁽¹⁾	85% PFA00 Improvements CMI_2009 ⁽¹⁾	200
90:10	Individual Pensions UWP – PP	79% AMC00	79% AFC00	79% AMC00	79% AFC00	525
90:10	Unithised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
90:10	Unithised Accumulating With Profits – Other	79% AMC00	79% AFC00	79% AMC00	79% AFC00	500, 505, 506, 525, 575
90:10	Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
90:10	Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
90:10	Reinsurance Accepted Pensions	95% AM92	95% AF92	95% AM92	95% AF92	535

Sub Fund	Product Group	2011		2010		Product Code
		Male	Female	Male	Female	
0:100 BLAGAB	Conventional Life Assurances	116% AMC00	116% AFC00	116% AMC00	116% AFC00	300, 435
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	106.8% RMV00 Improvements CMI_2009 (1)	111.6% RFV00 Improvements CMI_2009 (1)	106% RMV00 Improvements CMI_2009 (1)	118% RFV00 Improvements CMI_2009 (1)	395, 400
0:100 BLAGAB	Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390
0:100 BLAGAB	Conventional Non Profit post vesting	106.8% RMV00 Improvements CMI_2009 C2028(1)(2)	111.6% RFV00 Improvements CMI_2009 C2026(1)(2)	106% RMV00 Improvements CMI_2009 C2028(1)(2)	118% RFV00 Improvements CMI_2009 C2026(1)(2)	390
0:100 BLAGAB	Term Assurance non-YRT	122% AMC00(3)	122% AFC00(3)	122% AMC00(3)	122% AFC00(3)	325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
0:100 BLAGAB	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	106.8% RMV00 Improvements CMI_2009 (1)	111.6% RFV00 Improvements CMI_2009 (1)	106% RMV00 Improvements CMI_2009 (1)	118% RFV00 Improvements CMI_2009 (1)	400, 905
0:100 Pensions	Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390, 435
0:100 Pensions	Conventional Non Profit post vesting	106.8% RMV00 Improvements CMI_2009 C2028(1)(2)	111.6% RFV00 Improvements CMI_2009 C2026(1)(2)	106% RMV00 Improvements CMI_2009 C2028(1)(2)	118% RFV00 Improvements CMI_2009 C2026(1)(2)	390, 435
0:100 Pensions	Term Assurance non-YRT	122% AMC00(3)	122% AFC00(3)	122% AMC00(3)	122% AFC00(3)	325
0:100 Pensions	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
0:100 Pensions	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	99.7% RMV00 Improvements CMI_2009 (1)	103.5% RFV00 Improvements CMI_2009 (1)	95% RMV00 Improvements CMI_2009 (1)	102% RFV00 Improvements CMI_2009 (1)	400, 905
0:100 Pensions	Vestings from London Life Immediate Annuities	92.6% PMA00 Improvements CMI_2009 (1)	88.1% PFA00 Improvements CMI_2009 (1)	90% PMA00 Improvements CMI_2009 (1)	83% PFA00 Improvements CMI_2009 (1)	400, 905
0:100 Pensions	Vestings from Pearl SERP Immediate Annuities	85.5% RMV00 Improvements CMI_2009 (1)(4)	103.5% RFV00 Improvements CMI_2009 (1)(4)	85% RMV00 Improvements CMI_2009 (1)(4)	101% RFV00 Improvements CMI_2009 (1)(4)	400, 905

- Notes:
1. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.
 2. CMI Uses C = 2028 for Males and C = 2026 for Females, chosen to approximate U = 2011
 3. The basis uses an average scaling % factor to give a prudent margin of 5% in aggregate over both the Non-Smoker and Smoker sub-groups of the product group.

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			26.2	24.6
90:10	Reinsurance Accepted Immediate Annuities	23.0	14.0		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	23.0	14.0		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	23.0	14.0		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	23.6	14.5		
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	24.7	15.1		
0:100 Pensions	Reinsurance Accepted from SERP Immediate Annuities	24.9	15.6		

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			28.5	27.1
90:10	Reinsurance Accepted Immediate Annuities	25.7	15.8		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	25.7	15.8		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	25.7	15.8		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	26.2	16.3		
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	27.3	17.3		
0:100 Pensions	Reinsurance Accepted from SERP Immediate Annuities	26.3	16.3		

(5) There are no products representing a significant amount of business that use a morbidity basis.

(6) The expense bases are as follows:

Per Policy Expenses

NON LINKED BUSINESS

Subfund	Product Group	2011 £pa	2010 £pa	Tax Relief	Code
90:10	Conventional endowment with-profits OB savings	73.70	70.17	20%	120
90:10	Conventional endowment with-profits OB target cash	73.70	70.17	20%	125
90:10	Conventional pensions endowment with-profits	73.70	70.17	0%	155
90:10	Conventional deferred annuity with-profits	73.70	70.17	0%	165
0:100 BLAGAB	Annuity non-profit (CPA)	50.14	47.55	0%	400
0:100 Pensions	Annuity non-profit (CPA) Pre March 2018	27.01	25.20	0%	400
	Annuity non-profit (CPA) Post March 2018 ⁽²⁾	50.14	47.55	0%	400
90:10	Life UWP single premium	66.33	63.15	20%	500
90:10	Life UWP endowment regular premium – target cash ^c	73.70	70.17	20%	515
90:10	Individual pensions UWP	73.70	70.17	0%	525
90:10	Group money purchase pensions UWP	0.00	0	0%	535
90:10	Individual Pensions UWP – PP	33.41	31.83	0%	525
90:10	Individual Pensions UWP – PP (AMC) ⁽¹⁾	48bp	48bp	0%	525

Note:

1. These expenses are per arrangement rather than per element. No expenses are allocated to PP Additional Life Cover elements. The per policy expense for Personal Pensions has been converted into a part per policy expense and a part Annual Management Charge.
2. This is the expense assumption to be used post 2018 to allow for the agreement that Pearl Assurance Ltd has in place with Pearl Group Services Ltd.
3. The prudent expense assumptions also apply to the hybrid unitised with-profits policies sold in 1995 that have unit linked elements.

Gross Investment expenses

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

Sub Fund	Product Group	2011 Bp ⁽²⁾	2010 Bp ⁽²⁾
90:10	All business except Personal Pensions Guarantee Reserve ⁽¹⁾	40	43
90:10	Personal Pensions Guarantee Reserve ⁽¹⁾	5	5
0:100 BLAGAB	All business	10	13
0:100 Pensions	All business	9	10

Notes:

1. Index linked Gilts held in respect of the Personal Pensions Guarantee Reserve
2. These rates are after allowing for VAT at 20%.

Inflation Rates

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

Sub fund	Description	2011	2010
90:10	Expense inflation	2.9%	3.3%
0:100 BLAGAB	Expense inflation	2.9%	3.3%
0:100 Pensions	Expense inflation	3.7%	4.0%
90:10	Policy charge inflation	3.1%	3.5%
90:10	Expense inflation (Reinsurance Accepted Bonds)	4.6%	5.0%
90:10	Expense inflation (Reinsurance Accepted Immediate Annuities)	4.6%	5.0%

Future Bonus Rates

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

Persistency

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

Product ^{(1) (2) (3)}		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse	14.6%	8.8%	8.8%	8.8%
Decreasing term	Lapse	19.0%	10.0%	10.0%	10.0%
UWP bond	Surrender	nil	nil	nil	nil
UWP bond	automatic withdrawals ⁽³⁾	1.5%	1.5%	1.5%	1.5%
Individual Pensions UWP	PUP	10.5%	10.5%	10.5%	10.5%
Individual Pensions UWP - PP	PUP	6.0%	6.0%	6.0%	6.0%

Notes:

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

Retirement Rates

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

Age Attained	2011	2010
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

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

- (11) The funds hold a number of swap contracts which are not used to determine valuation rates of interest.

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

- (12) **Effect on Mathematical reserves due to changes in INSPRU**
None

Options and Guarantees

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

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

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

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

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

Assumption	2011						
Take up Rate	100%						
Rate of interest	Min(Gilts, Swaps), capped at 2.48%						
Mortality in payment	106.8% RMV00 C2028 ⁽¹⁾ 111.6% RFV00 C2026 ⁽¹⁾						
Expected annuity Guarantee periods	<table border="0"> <tr> <td style="padding-right: 20px;">0 years</td> <td style="text-align: right;">55%</td> </tr> <tr> <td>5 years</td> <td style="text-align: right;">10%</td> </tr> <tr> <td>10 years</td> <td style="text-align: right;">35%</td> </tr> </table>	0 years	55%	5 years	10%	10 years	35%
0 years	55%						
5 years	10%						
10 years	35%						
Expected annuity Escalation rates	<table border="0"> <tr> <td style="padding-right: 20px;">0% p.a.</td> <td style="text-align: right;">65%</td> </tr> <tr> <td>3% p.a.</td> <td style="text-align: right;">35%</td> </tr> <tr> <td>5% p.a.</td> <td style="text-align: right;">0%</td> </tr> </table>	0% p.a.	65%	3% p.a.	35%	5% p.a.	0%
0% p.a.	65%						
3% p.a.	35%						
5% p.a.	0%						
Tax free lump sum	17% decreasing linearly to 5% after 20 years for TXII, 11% decreasing linearly to 5% after 20 years for Tophats and Freedom Bonds						
Retirement Rates	As per 4(10) above						
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age: Regular: 1% p.a. Single: 0.75% p.a. All other business: 0% p.a.						

Note:

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

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

Type of Business	Product name	Basic reserve £'000	Spread of outstanding durations ⁽¹⁾	Guarantee reserve ⁽²⁾ £'000	GAR (% fund for 65 year old male) ⁽³⁾	Increments allowed?	Annuity form	Retirement Age	Product Code
UK Life	Conventional pensions endowment with-profits	17,327	Gradual run-off, mean term of 9 years	13,233	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	869,470	Gradual run-off, mean term of 9 years	715,345	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	61,200	Gradual run-off, mean term of 9 years	43,108	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	52,799	Gradual run-off, mean term of 8 years	34,234	10%	No	See Note 4	60-75	725

Notes:

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

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

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

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

(4) Personal Pensions Guarantee Reserve

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

The following method is used to determine the mathematical reserves:

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

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

Assumption	2011
Real rate of interest	-0.5% per annum
Future inflation ⁽¹⁾	3.34% per annum
Salary increases above inflation, inclusive of allowance for future salary progression	1.85% per annum
Annuity pricing margin	15.0%
Mortality during deferment	79% AM/FC00 Ultimate
Mortality in payment	106.8% RMV00 (CMI_2009 improvements up to 3.25%, age related min improvement) 111.6% RFV00 (CMI_2009 improvements up to 3.25%, age related min improvement)
Percentage assumed married	100%
Allowance for future service	up to 14 years for those unable to rejoin their pension scheme

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

The amount of business involved had a basic mathematical reserve of £68 million reserve with additional reserves of £599 million. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

Mortgage Endowment Promise

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

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

Assumption	2011
Rate of interest	1.8% per annum
Mortality - Conventional Life Endowment	116% AMC/AFC00 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/AF80 Ult
Voluntary Discontinuance	0% p.a.
Prudence Factor	5%

The amount of business involved had a basic reserve of £368 million and additional reserves (MEP reserve) of £166 million.

Expense Reserves

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

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Individual Pensions UWP - PP	0	10	11	1	22
Other	0	16	35	2	53
Total	0	26	46	3	75

- (2) All provisions for future expenses have been made using explicit methods, except for investment expense allowance where a margin in the valuation interest rate is used.
- (3) The amount of expense loadings expected to arise in the next 12 months are different for the maintenance expenses shown on Form 43 due to the margins for adverse deviation and project costs.
- (4) Since Pearl Assurance Ltd has ceased to write new business other than increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.
- (5) The per policy expense assumptions used allow for the attributable payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to these total per-policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum (except for unitised with profits Personal Pensions business where a fixed cost per policy plus a percentage of assets under management is used.) Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of

Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives Pearl Assurance Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

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

- (6) The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature not covered by the per policy expense assumptions plus the expected payment in the year following the valuation date to Pearl Group Services Limited as described in paragraph 6(5).

Mismatching reserves

7. (1) The liabilities are sterling liabilities.

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

Currency	Liabilities £m	Assets £m
Sterling	7,434	6,458
US Dollar		396
Euro		579
Other		0
Total	7,434	7,434

There is a premium withheld arrangement of £2,525m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £569m worth of assets in USD and £413m worth of assets in Euro.

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

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

Other special reserves

8. Details of other special reserves are set out below:

Description	Reserve (£m)
Credit Default Provision	33.1
Opal Mortality Deductible	15.0
IB Overdue Claims	10.3
Additional Reserve For Investment Management Fees	10.0

Additional Reserves

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

- A provision of £33.1m is held to reflect the impact of a 10% prudence margin in the Regulatory Peak default assumption.
- Under an FSA basis, Pearl Assurance Limited holds the higher of the mortality deductible reserve and the Opal counterparty risk reserve (this is zero at YE2011). As the mortality deductible reserve for Pearl Assurance Limited is £15m then this is the reserve that is held.

INSPRU 1.2.80G requires a margin to be held against the risk of default by a reinsurer i.e. the risk that Opal Reassurance Limited will be unable to make its reinsurance payments. The reserve is calculated by applying a probability of default on the difference between mathematical reserves ceded reduced by liquidity premium calculated on a prudent basis and the Opal Reassurance Limited assets. As mentioned above, the higher of this reserve and the mortality deductible reserve is held on an FSA basis.

- The Industrial Branch overdue provision has been established to cover potential claims arising from paid up policies which are past their maturity date but remain unclaimed.
- Additional reserve for investment management – a provision is held on a prudent basis to cover the possibility of additional fees payable to the investment managers.

Reinsurance

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

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

Reinsurer	Nature and Extent of the Cover	Premium £m	Premium withheld £m	Closed to New Business?	Amount of Undischarged Obligation	Mathe- matical Reserves Ceded £m	Retention by the Insurer
Opal Reassurance Ltd	Liability to pay the Basic Annuity.	0	2,525	Yes	Nil	2,508	Nil

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

10. Reversionary (or annual) bonus

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2011 Basic Mathematical Reserve £'000	31.12.2011 Reversionary Bonus Per £14 weekly premium £	31.12.2010 Reversionary Bonus Per £14 weekly premium £	31.12.2011 Total guaranteed bonus Per £14 weekly premium £
Endowment policies	12,733	£0	£0	N/A
Whole Life policies	132,163	£0	£0	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2011 Basic Mathematical Reserve £'000	31.12.2011 Reversionary Bonus %	31.12.2010 Reversionary Bonus %	31.12.2011 Total guaranteed bonus %
Life regular premium	85,360	0%	0%	N/A
Pensions regular premium	98,420	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2011 Basic Mathematical Reserve £'000	31.12.2011 Reversionary Bonus %	31.12.2010 Reversionary Bonus %	31.12.2011 Total guaranteed bonus %
Life regular premium and paid up policies	561,236	0%	0%	N/A
General annuity fund regular premium and paid up policies	29,859	0%	0%	N/A
Pensions regular premium and paid up policies	789,128	0%	0%	N/A
Pensions single premium	706,232	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP - PP

Bonus Series	31.12.2011 Basic Mathematical Reserve £'000	31.12.2011 Reversionary Bonus %	31.12.2010 Reversionary Bonus %	31.12.2011 Total guaranteed bonus %
Regular Premium	911,395	0%	0%	N/A
Single Premium	237,135	0%	0%	N/A
Protected rights DSS recurring single premium	814,548	0%	0%	N/A

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

Bonus Series	31.12.2011 Basic Mathematical Reserve £'000	01.12.2011 to 19.06.2011 Reversionary Bonus %	20.06.2011 to 31.12.2011 Reversionary Bonus %	31.12.2011 Total guaranteed bonus %
Life policies issued in 1995	9,796	1.00% / 0.55%	0.75% / 0.42%	N/A
Life policies issued after 1995	303,833	1.00% / 0.55%	0.75% / 0.42%	N/A
Pensions policies	326,051	3.20% / 1.60%	1.10% / 0.55%	N/A
ISA Bonus Account policies	131,047	2.45% / 1.20%	0.50% / 0.25%	N/A
Bonus Account policies	8,073	1.65% / 0.80%	0.40% / 0.20%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2011 Basic Mathematical Reserve £'000	31.12.2011 Reversionary Bonus %	31.12.2010 Reversionary Bonus %	31.12.2011 Total guaranteed bonus %
Portfolio Bond 1a	16,361	1.00%	1.00%	N/A
Portfolio Bond 1b	2,340	1.00%	1.00%	N/A
Portfolio Bond 2	5,388	1.00%	1.00%	See Note (1)
Investment Bond	46,803	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	38,182	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions	25,755	1.50%	1.50%	N/A
Group Pensions	17,649	1.50%	1.50%	N/A
Capital Account Pensions	15,976	3.25%	3.25%	N/A
Immediate Annuities Series 3	14,054	4.47%	4.50%	N/A
Immediate Annuities Series 4	32,611	4.47%	4.50%	N/A

Notes:

1. For Portfolio Bond 2, there is an additional 2% bonus added at the fifth policy anniversary to all funds in force at that time plus another 2% bonus every five years thereafter.
2. The bonus rates shown are gross of the policies' respective annual management charge.

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

Pearl SERP Fund

Discretionary charges and benefits

3. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (11) Not applicable.

Valuation basis (other than for special reserves)

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

Mathematical reserves have been determined using an individual gross premium method. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

Under with-profit S620 annuities issued after April 1971, provision is made for the option that policies may vest prior to the vesting date written in the policy. The percentage of policyholders assumed to vest on reaching each retirement age is as follows:

Age	Percentage retiring
60	37.5%
65	60.0%
70	100.0%
75	100.0%

The benefits discounted are calculated on both the cash sum available at the pension date and the deferred annuity and the higher reserve is taken.

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

If valued as a deferred annuity an additional expense reserve is included to allow for expenses after vesting in line with the present expense assumptions for annuities in payment. Also if valued as a deferred annuity the post retirement mortality is adjusted to make allowance for future mortality improvements between the year end and the vesting date in line with the Pensioner Mortality Improvement model issued by the CMI bureau.

- (2) The following table sets out the rates of interest used for all classes of business:

Product Group	2011	2010	Product Code
Gross premium basis			
SERP	3.2%	4.2%	165

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

- (4) The following table sets out the mortality bases used for all classes of business:

Product Group	2011		2010		Product Code
	Males	Females	Males	Females	
Pre-vesting					
SERP	60% AM92	60% AF92	80% AM92	80% AF92	165
Post-vesting/In payment					
SERP	97% RMV00	103.5% RFV00	92% RMV00	101.5% RFV00	165

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2011, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements in line with the CMI Mortality Projections model v1.0 with a 3.25% floor up to age 60 reducing to 0% at age 120 for both males and females have been assumed. This is the same as at 31 December 2010.

Male complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	27.0	25.4

Female complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	29.2	27.8

(5) There are no products using a morbidity basis.

(6) The expense bases are as follows:

Per policy expenses, before allowance for tax relief, were as follows:

Product Group	Premium paying		Paid up & single premium		Product Code
	2011 £pa	2010 £pa	2011 £pa	2010 £pa	
CWP pensions	60.64	57.21	24.36	22.98	165
Annuity			37.13	35.03	400

Notes:

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

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

Gross Investment Expenses

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

Fund	2011 Bps	2010 bps
Gilts	9.75	6.00
IL Gilts	7.50	6.00
Approved	10.00	6.00
Bonds	8.80	6.00
Property	20.00	11.25
Derivatives	10.35	6.00
Cash	8.50	11.25

(7) Expense inflation rates are:

Product Group	Expense Inflation Rate (% p.a)	
	2011	2010
All business	3.90	4.30

(8) As a realistic basis life firm, no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R.

(9) Surrender and Paid Up Rates

Product		Average lapse / surrender / paid up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP pension regular premium	PUP	0.00%	0.00%	0.00%	0.00%
CWP pension regular premium	surrender	0.60%	0.60%	0.60%	0.60%
CWP pension single premium	surrender	0.60%	0.60%	0.60%	0.60%

Notes:

1. The surrender rates above apply to policyholders below age 60. For policyholders aged 60 and above the surrender rate is assumed to be zero.

(10) Other material basis assumptions:

Relief for tax applied to expenses is 0% for SERP pension business. Tax on investment income is set out in the following table:

Type of business	2011	2010
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

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

- (12) Not applicable.

Options and guarantees

5. The policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. The reserve for this Guaranteed Cash Fund ("GCF") is valued stochastically on a market consistent basis using 2,000 simulations. The reserve is the average over 2,000 simulations of the discounted value of the excess of the GCF over the fund using market annuity rates, if positive, for each simulation.

Table detailing guarantee reserves:

Product Code	165
Product name	Self Employed Retirement Plan
Basic reserve, £000	1,413,018
Spread of outstanding durations	Gradual run-off mean term of 4.5 years to assumed vesting dates.
Guarantee reserve, £000	100
Increments allowed	No

Form of the annuity

Consistent with that taken at policy inception

Retirement ages

60, 65, 70 or 75. See section 4(1)

Expense reserves

6. (1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are £3.5m.

Homogeneous Risk Group	Implicit Allowances £million	Explicit Allowances (Investment) £million	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
Non-unitised business	0.00	1.27	2.21	0.00	3.48
Total	0.00	1.27	2.21	0.00	3.48

- (2) Investment expense allowances are implicitly calculated by a margin in the valuation interest rate.
- (3) The difference between the allowance for maintenance expenses shown above and those shown in Form 43 are due to one-off expenses and the run-off of business (since Form 43 shows actual 2011 figures while the loadings are expected 2012). The one off expenses are performance related investment management fees.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.

Mismatching reserves

7. (1) The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	1,415.1	1,415.1
Euro	0.0	0.0
Total	1,415.1	1,415.1

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

- (4) Pearl Assurance Limited is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.
- (5) Not applicable – see 7(4).
- (6) Not applicable – see 7(4).
- (7) No additional reserve is held.

Other special reserves

- 8. For the 31 December 2011 valuation an additional reserve was established in respect of short term corporate bond defaults on Pillar 1. This reserve, of £2m, was calculated using sensitivity information such that it increases the total default amount by 10%.

Reinsurance

- 9. (1) There are no reinsurance arrangements in place for this business.
- (2) Not applicable.
- (3) Not applicable.

Reversionary (or annual) bonus

- 10. (1) The following tables set out the annual bonus rates for each class of business:

Compound Bonus

Bonus series	31.12.2011	31.12.2011	31.12.2010	31.12.2011	Product code
	Mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus	
	£000	%	%	%	
With-profit S620 deferred annuities (SERP)	1,413,018	0.00%	0.00%	-	165

PEARL ASSURANCE LIMITED

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The date to which the investigation relates is 31 December 2011.
- (2) The date of the previous valuation is 31 December 2010. The policies in the Pearl SERP fund were previously included in the National Provident Life Limited annual FSA returns.
- (3) For the purpose of rule 9.3A an interim valuation was carried out at 30 June 2011.

Pearl 90:10 With-Profits Fund

2. Assets

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

Implied zero curve at 31 December 2011 (gilts + 10bp)							
Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	0.32%	11	2.36%	21	3.26%	31	3.47%
2	0.42%	12	2.51%	22	3.30%	32	3.47%
3	0.64%	13	2.64%	23	3.34%	33	3.47%
4	0.89%	14	2.75%	24	3.37%	34	3.47%
5	1.14%	15	2.85%	25	3.39%	35	3.46%
6	1.38%	16	2.94%	26	3.42%	36	3.46%
7	1.61%	17	3.02%	27	3.43%	37	3.45%
8	1.82%	18	3.09%	28	3.45%	38	3.45%
9	2.02%	19	3.16%	29	3.46%	39	3.44%
10	2.20%	20	3.21%	30	3.46%	40	3.44%

Implied zero curve at 31 December 2010 (gilts + 10bp)							
Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	0.73%	11	3.95%	21	4.59%	31	4.53%
2	1.12%	12	4.09%	22	4.60%	32	4.51%
3	1.64%	13	4.20%	23	4.60%	33	4.49%
4	2.12%	14	4.30%	24	4.60%	34	4.47%
5	2.51%	15	4.37%	25	4.60%	35	4.45%
6	2.84%	16	4.44%	26	4.59%	36	4.44%
7	3.12%	17	4.49%	27	4.58%	37	4.42%
8	3.37%	18	4.52%	28	4.57%	38	4.40%
9	3.60%	19	4.55%	29	4.56%	39	4.38%
10	3.79%	20	4.58%	30	4.54%	40	4.36%

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

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

Table of Retrospective and Prospective Methods Used to Calculate the With-Profits Benefits Reserve (£m)			
Product Class	Method used to calculate With-Profits Benefit Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
Conventional With-Profits Industrial Branch business	Retrospective – asset shares	204	115
Conventional With-Profits Ordinary Branch Life business	Retrospective – asset shares 1	644	215
Conventional With-Profits Ordinary Branch Pensions business	Retrospective – asset shares 1	584	759
Direct Unitised Accumulating With-Profits Personal Pensions business	Retrospective – asset shares	2,517	648
Direct Unitised Accumulating With-Profits business other than Personal Pensions	Retrospective – shadow fund	730	224
Reassurance Accepted Unitised Accumulating With-Profits business	Retrospective – shadow fund	174	15
Reassurance Accepted With-Profits Pension Annuity business	Retrospective – shadow fund	59	0
Other business	Not applicable	0	319
Total		4,913	2,294

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

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

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

(3) Not applicable.

(4) Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1)(a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 95.8% of the total with-profits benefit reserve.

(b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 4.2% of the total with-profits benefit reserve.

(c)(i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.

(c)(ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2011 was 225,824. These contracts were grouped into a total of 2,849 model points.

(c)(iii) The effect of any grouping was tested by comparing the number of contracts, total with-profits benefits reserves, total office premiums and total guaranteed benefits at product line level.

(2)(a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.

(b) Not applicable.

(3)(a) As maintenance expenses are defined in the Management Service Agreement, an expense investigation is not necessary.

Expenses consist of:

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

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

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

(b) Not applicable.

(c)(i) No expenses were identified as initial expenses.

(c)(ii)

Expenses Allocated to With-Profits Benefits Reserve during 2011 (£m)	
Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	36.5
Total expenses	36.5

¹ Service company charges, plus project and direct costs of £3.9m less payments of £0.8m received for an expense inflation hedge.

(c)(iii) For product lines with the with-profit benefits reserve calculated using “retrospective asset shares”, other than Personal Pensions business the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as annual management charges (maintenance expenses were expressed as per policy amounts up to the end 2007), and for investment management expenses expressed as a percentage of funds under management.

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

(c)(iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were valued at £11.2m.

(4) In 2007 the Liability Management Project introduced measures to de-risk the estate and hence increase the amount of estate available for distribution to policyholders. The measures included the transfer of the risks arising from:

- the costs of guarantees (other than those in connection with the Mortgage Endowment Promise or pensions mis-selling), and
- the costs of smoothing from the estate to the asset shares.

The adjustments to asset shares arising from this transfer of risks can be in the form of credits added to or charges deducted from the relevant asset shares. The guarantee and smoothing adjustments applied in 2011 are shown in the following tables:

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

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

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

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

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

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

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2011	109%
2010	116%
2009	118%

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

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2011 was 3.49%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Not applicable.

(2) Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) Not applicable.

(2) (a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach.

(b)(i) Not Applicable.

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

(b)(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2011 was 880,965 (comprising 558,875 pension contracts and 322,090 life contracts). These contracts were grouped into a total of 10,509 model points (comprising 2,184 pensions and 8,325 life).

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

(c) Not applicable.

(3) No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

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

- Basic benefit guarantees, e.g. the sums assured and attaching reversionary bonuses for conventional with-profits business and the unit fund for accumulating with-profits business payable on death or maturity for a whole life or endowment or deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
- Annuity rate guarantees on certain self employed deferred annuities and some other deferred annuity policies, i.e. a guaranteed annuity rate specified in the contract that can be applied at retirement to convert the cash benefits provided by the contract into annuity benefits. Generally, these annuity rate guarantees are in-the-money.

- Guaranteed minimum pensions (GMP) on Freedom Bond conventional pensions policies that resulted from transfers from contracted out schemes. This guarantee is that the pension provided at retirement is at least above a certain level. Generally, these guaranteed minimum pensions are in-the-money.
- The Mortgage Promise made to certain mortgage endowment policies. Generally, this promise is in-the-money.
- Guaranteed surrender values on direct unitised accumulating with-profits business, where the policyholder receives the unit fund less a surrender penalty on surrender, and where no MVA is applicable. Generally, these guaranteed surrender values are currently in-the-money.
- The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.
- Guarantees in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by Pearl Assurance Ltd and those where they are shared between Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of NPI Limited. Generally, these guarantees are in-the-money.

(a)(ii) The asset models are unchanged in the period from 31 December 2010 to 31 December 2011, and assume that:

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

Interest rates

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a +10bp adjustment.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Barrie & Hibbert.

The market swaption volatilities were supplied by Barrie & Hibbert.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

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

The following tables show the credit spreads over gilts + 10bp and long term volatility targets at 31 December 2011 in basis points:

Corporate Bond Spreads at 31 December 2011				
Term	AAA	AA	A	BBB
1	127	326	446	856
2	238	413	517	802
3	306	446	525	726
5	357	446	494	612
7	358	420	453	533
10	335	375	397	449
15	286	310	323	355
20	246	263	272	293
25	215	228	234	250
30	191	201	207	219

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

Equity and Property

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

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

The implied volatility surface used in the calibration is shown below:

	%	Strike						
		0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1	34.4	30.7	27.1	23.7	20.4	17.8	16.1
	3	31.8	29.4	27.1	25.0	22.9	21.0	19.3
	5	31.2	29.2	27.4	25.8	24.3	23.0	21.9
	7	31.3	29.6	28.0	26.6	25.4	24.3	23.3
	9	31.3	29.8	28.4	27.0	25.9	24.8	23.8

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

OS equity volatility	30.74%
Property volatility	30.00%
Quant fund volatility	6.00%
Fundamental volatility	7.70%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The correlations assumed are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Fundamental
UK equities	1	0.7	0.39	-0.12	0.39	0.52
OS equities		1	0.17	-0.12	0.35	0.53
Property			1	-0.10	0.15	0.35
Interest rates				1	-0.41	-0.49
Quant					1	0.62
Fundamental						1

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

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

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet, with the exception that for credit, the AA-rated process is used, not the combined credit process used in the base realistic balance sheet.

		FSA Table																			
		0.75					1					1.5									
<i>n</i>	Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35	5	15	25	35				
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.13%					2.84%					4.60%					4.45%				
1	Risk-Free Zero Coupon Bond	£945,157	£657,047	£434,050	£304,552	£215,739	£403,796	£515,302	£601,321	£544,028	£752,333	£896,909	£1,005,488	£215,739	£403,796	£515,302	£601,321	£544,028			
2	FTSE All Share Index (<i>p=1</i>)	£111,647	£257,099	£344,927	£413,181	£210,159	£354,461	£409,830	£443,117	£530,443	£663,707	£716,860	£748,293	£210,159	£354,461	£409,830	£443,117	£530,443			
3	FTSE All Share Index (<i>p=0.8</i>)	£108,785	£225,248	£273,046	£303,641	£260,520	£432,477	£547,054	£629,744	£628,042	£825,543	£950,381	£1,043,092	£260,520	£432,477	£547,054	£629,744	£628,042			
4	Property (<i>p=1</i>)	£119,691	£227,875	£283,175	£318,488	£253,604	£376,520	£433,442	£466,614	£614,161	£727,291	£761,385	£780,947	£253,604	£376,520	£433,442	£466,614	£614,161			
5	Property (<i>p=0.8</i>)	£18,339	£22,328	£16,244	£23,410	£84,112	£85,086	£95,748	£126,846	£496,706	£499,202	£508,355	£532,346	£84,112	£85,086	£95,748	£126,846	£496,706			
6	15yr Risk-Free ZCBs (<i>p=1</i>)	£17,320	£15,492	£7,445	£4,984	£79,362	£56,938	£34,026	£33,643	£479,956	£380,789	£297,469	£259,237	£79,362	£56,938	£34,026	£33,643	£479,956			
7	15yr Risk-Free ZCBs (<i>p=0.8</i>)	£27,664	£41,903	£41,439	£49,687	£107,846	£127,665	£129,738	£150,309	£487,757	£483,509	£486,368	£509,046	£107,846	£127,665	£129,738	£150,309	£487,757			
8	15yr Corporate Bonds (<i>p=1</i>)	£26,146	£29,904	£20,831	£18,154	£102,626	£94,135	£68,098	£61,721	£471,924	£380,306	£298,083	£263,876	£102,626	£94,135	£68,098	£61,721	£471,924			
9	15yr Corporate Bonds (<i>p=0.8</i>)	£86,706	£210,147	£286,373	£360,326	£193,401	£354,487	£450,321	£537,841	£544,069	£708,447	£832,136	£930,246	£193,401	£354,487	£450,321	£537,841	£544,069			
10	Portfolio 1 (<i>p=1</i>)	£83,836	£179,853	£220,719	£256,943	£187,768	£305,674	£347,578	£388,345	£529,830	£617,079	£651,175	£678,839	£187,768	£305,674	£347,578	£388,345	£529,830			
11	Portfolio 1 (<i>p=0.8</i>)	£60,168	£153,277	£214,577	£271,232	£148,906	£277,958	£359,371	£429,620	£502,251	£615,959	£715,658	£802,823	£148,906	£277,958	£359,371	£429,620	£502,251			
12	Portfolio 2 (<i>p=1</i>)	£58,063	£128,133	£159,120	£184,121	£143,726	£234,690	£268,523	£295,550	£486,971	£526,979	£543,725	£561,597	£143,726	£234,690	£268,523	£295,550	£486,971			
13	Portfolio 2 (<i>p=0.8</i>)	£39,792	£104,144	£150,605	£197,478	£126,458	£219,995	£280,108	£343,596	£500,126	£567,191	£637,745	£707,462	£126,458	£219,995	£280,108	£343,596	£500,126			
14	Portfolio 3 (<i>p=1</i>)	£38,003	£82,804	£104,156	£122,074	£121,226	£178,323	£196,961	£219,619	£484,291	£472,841	£461,283	£468,565	£121,226	£178,323	£196,961	£219,619	£484,291			
15	Portfolio 3 (<i>p=0.8</i>)	16.97%	11.45%	9.62%	7.82%	19.58%	14.21%	11.88%	9.48%	22.03%	16.67%	13.76%	10.71%	19.58%	14.21%	11.88%	9.48%	22.03%			
	Sterling Receiver Swaptions	Swap Duration = 15 years					Swap Duration = 20 years					Swap Duration = 25 years									

Notes:

- (1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(a)(iv) Income yields for each asset class are shown in the following table.

Income Yields by Asset Class	
Asset Class	Income Yield
UK Equity	2.58%
Property	2.58%
OS Equity	2.30%
Quant	0.00%
Fundamental	0.00%

(a)(v) For the purposes of rule 1.3.62 of the INSPRU sourcebook, the US and the Eurozone were the only significant overseas territories. There is no separate asset model for overseas assets and so the simulated prices of the swaptions would be the same as those set out in the table in 6(4)(a) (iii).

(a)(vi) The outstanding term of significant guarantees within material product classes are shown in the following table.

Outstanding term of significant guarantees (years)				
Product Class	GAO / GMP on maturity	Guarantees on maturity	Guarantees on surrender	Mortgage Endowment Promise
Conventional With-profits Life business	N/A	4	N/A	4
Conventional With-profits Pension business	9	8	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	3	N/A	N/A
Non unitised Accumulating With-profits business	N/A	10	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	9	6	6
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

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

Ratio of simulated to market swaption volatilities					
		Swap Length			
		5	10	20	30
Option Maturity	5	98.34%	101.48%	97.38%	93.54%
	10	109.32%	108.89%	107.10%	106.16%
	15	103.12%	103.36%	100.54%	101.94%
	20	98.82%	96.32%	95.30%	97.26%

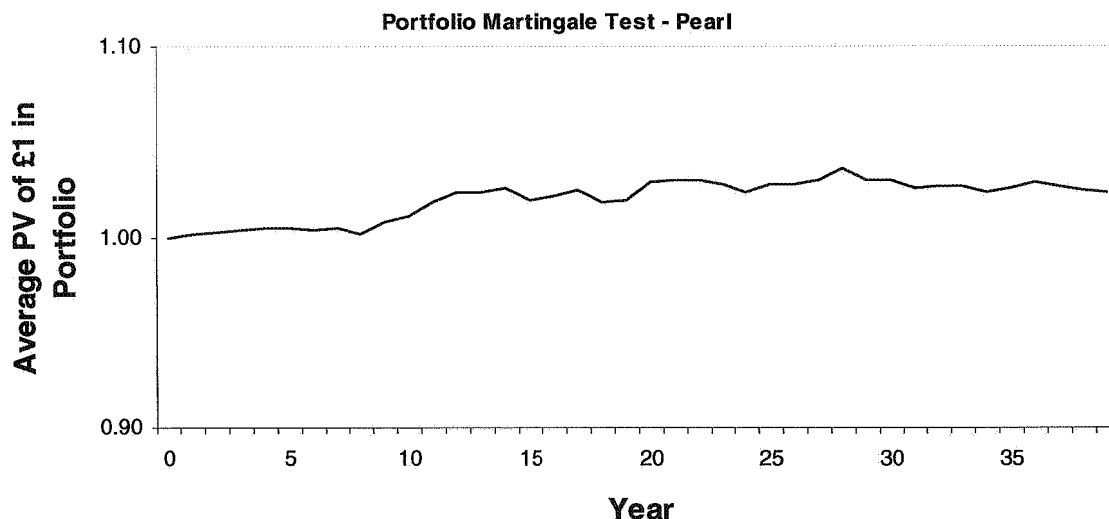
This table demonstrates that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5-15 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

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

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

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

The chart below is used to demonstrate that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (this test is referred to as the “one = one” test). Given that the chart is the result of calculating the expected value via simulation, a margin for error is expected. The observed error is small (less than 5%) and the scenarios are considered to pass the no arbitrage test.

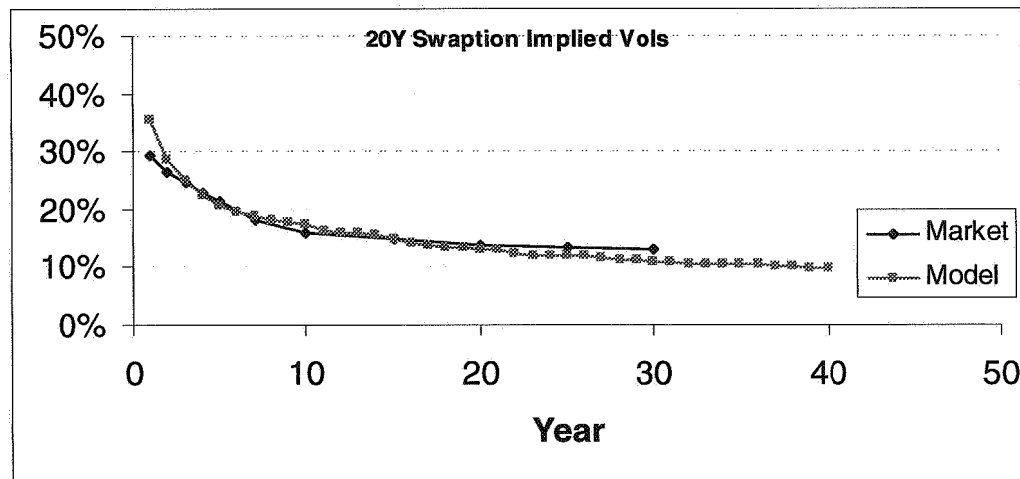
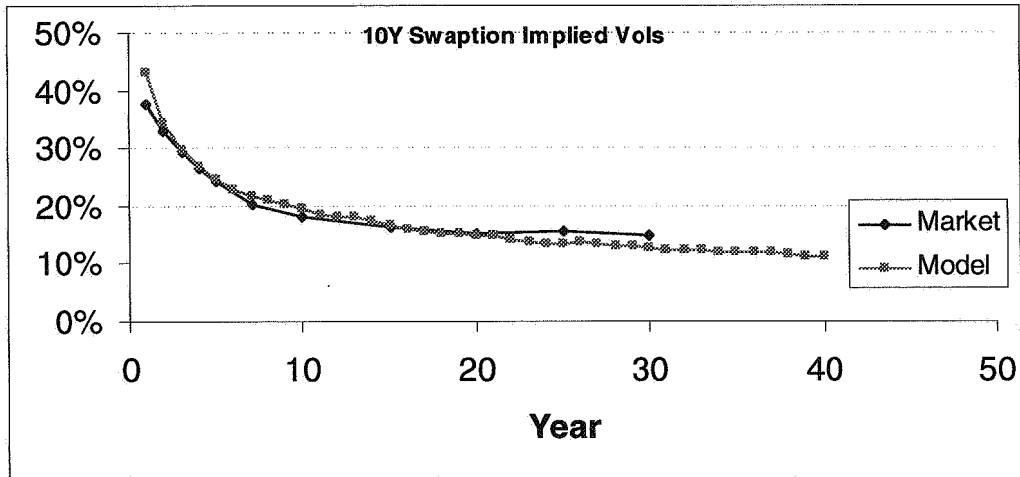
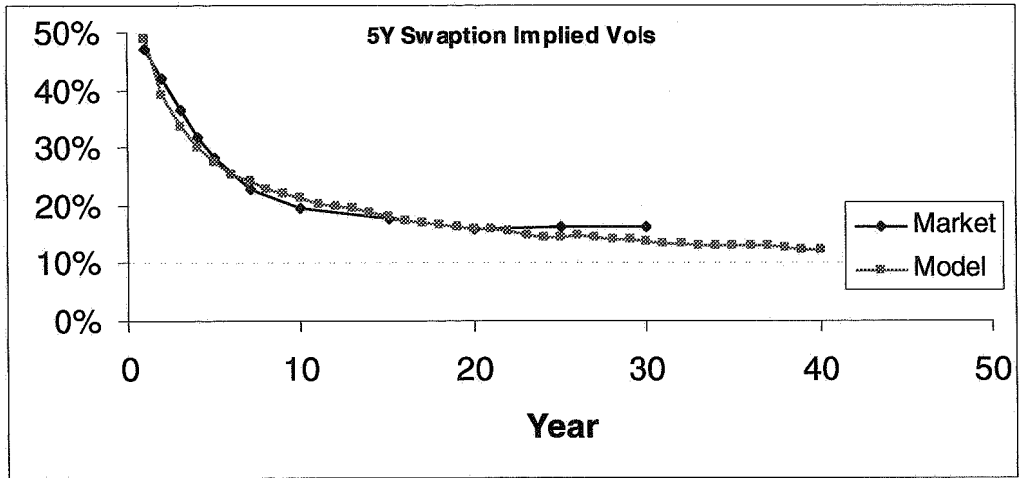


The second test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This test has been carried out separately for the asset models described in 6(4)(a)(ii).

Interest rates

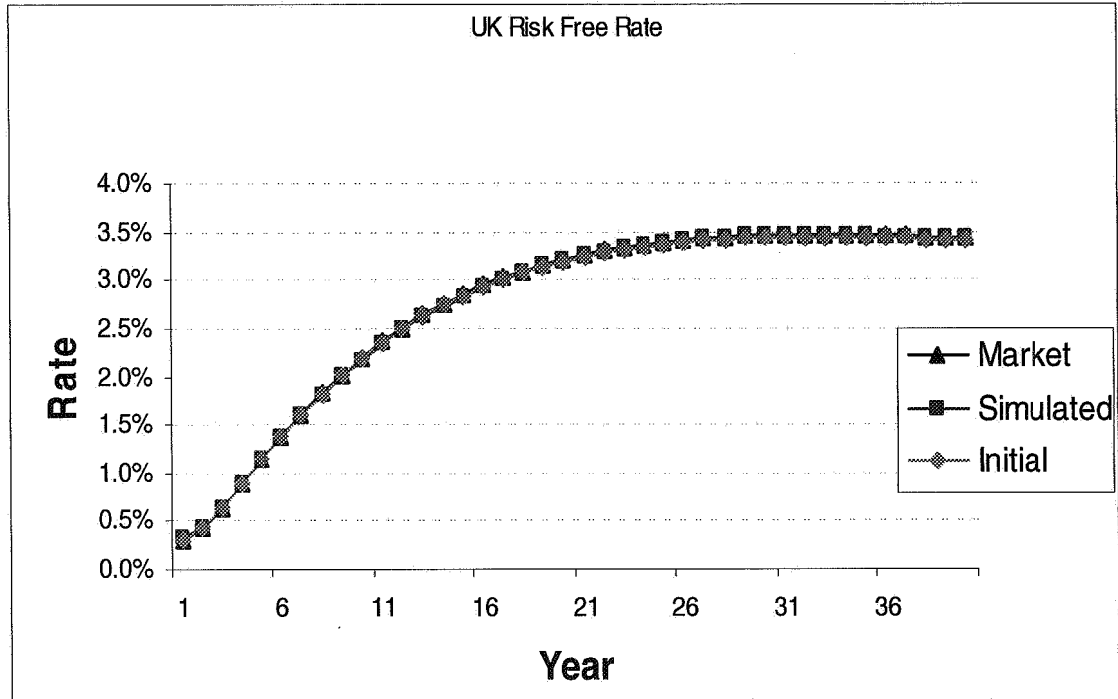
The first step is to show how well the calibrated model follows the given volatility surface.

The calibration focuses on the swap duration between 10 and 20 years, which match the liabilities more closely, and on swaption expiries between 5 and 15 years. The graphs below show how the volatilities of modelled swaptions of varying tenors fit the market data.



The next step is to ensure that the discount factors give the market prices for the risk-free bonds implied by the zero-coupon yield curve.

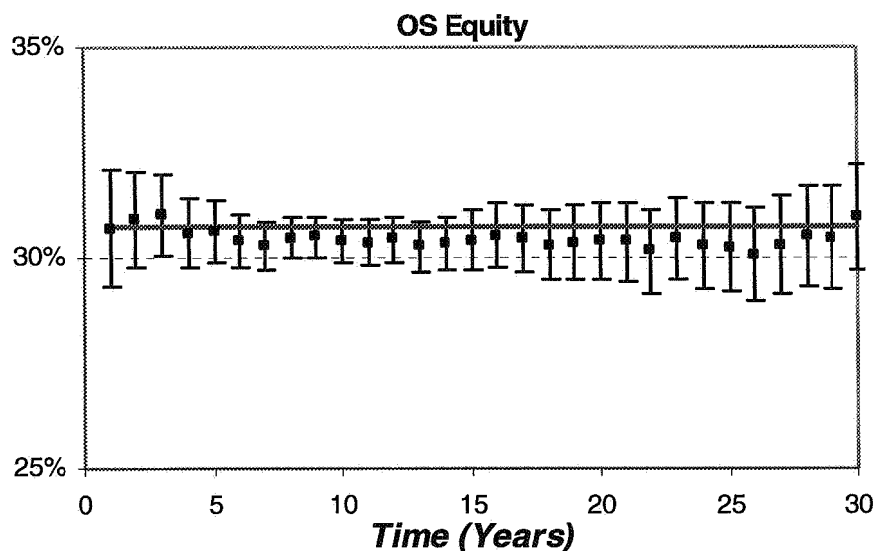
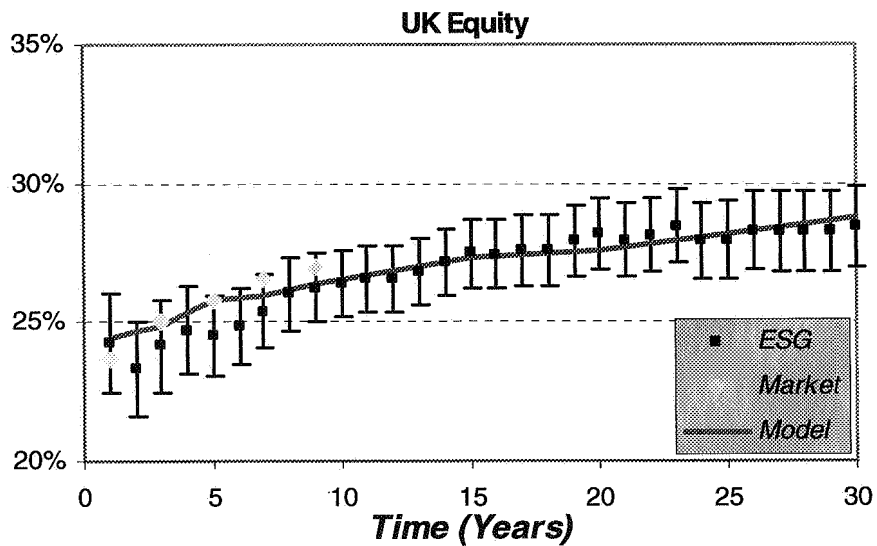
The graph below shows the average of the modelled discount factors compared to the market data. The fit when taking the average of the 1000 scenarios can be seen to be very close to the market data.

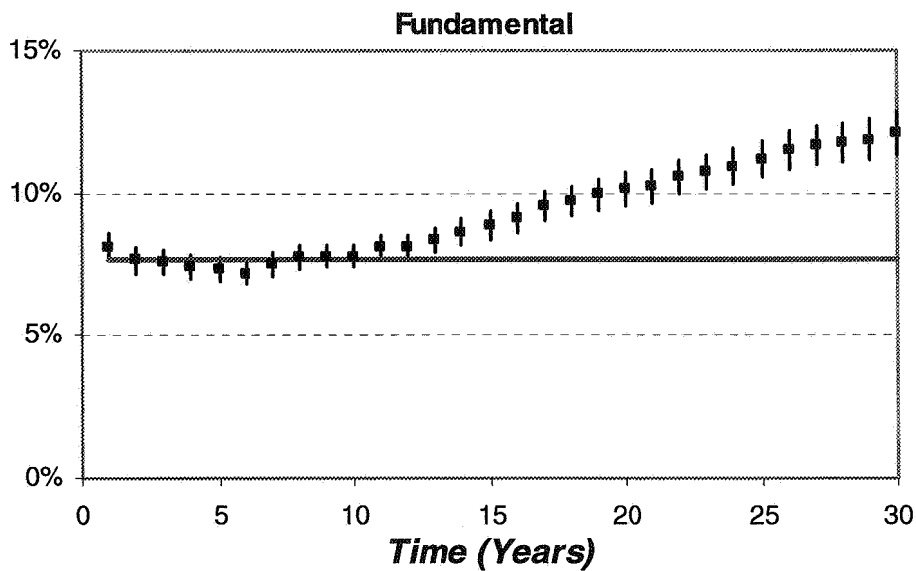
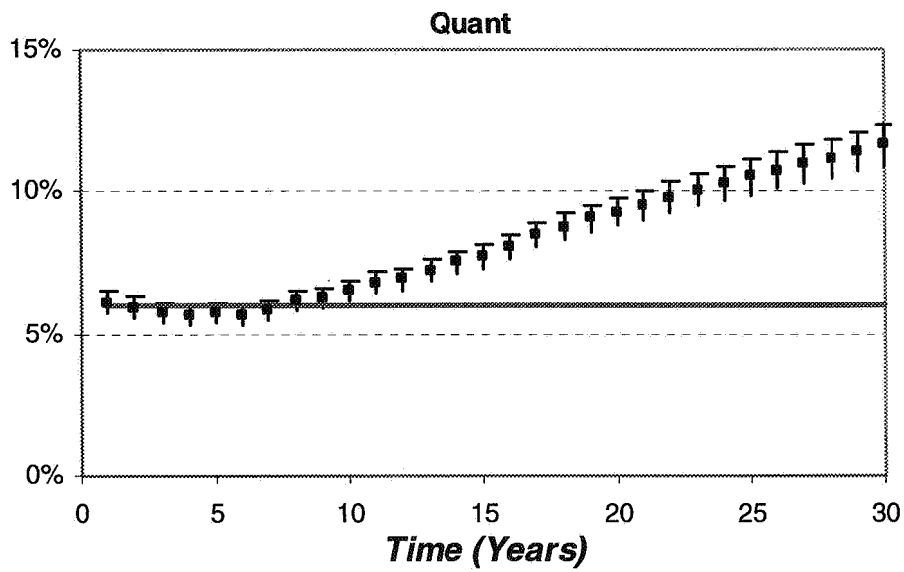
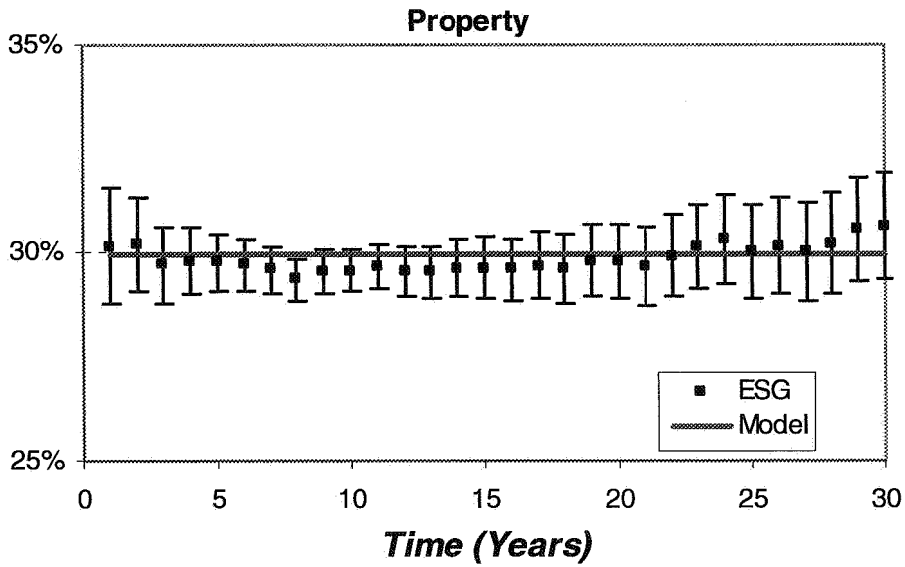


Equity and Property

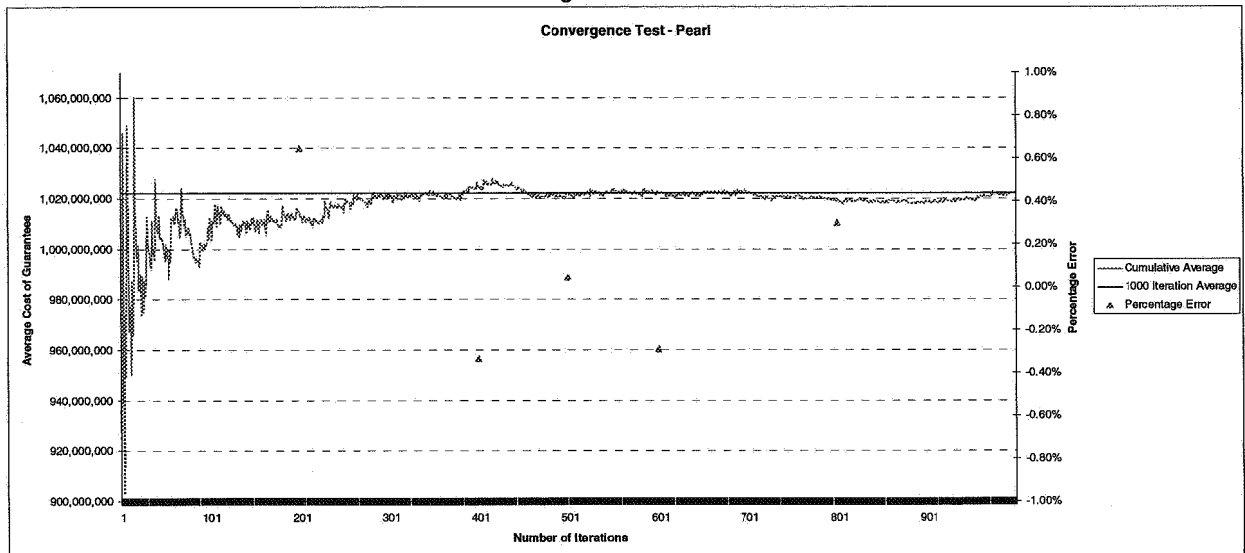
Only UK equity has been calibrated to market data. Therefore, for all other asset classes it is not possible to illustrate the fit of the scenarios to market data. However, the fit to the volatility assumptions mentioned in 6(4)(a)(ii) above can be demonstrated.

The charts below show the results for the market price test applied to at the money put options. The smooth line shows the target volatility input into the model. The markers show the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely when the high level of the volatility parameters is taken into consideration and we conclude that the error introduced by simulation is small and that market consistency is satisfied.





(a)(viii) Simulations were performed using 1,000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a)(vii) above. The graph below also shows that there is suitable convergence in results over the number of scenarios used.



(b) Not applicable.

(c) Not applicable.

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

- Final bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
- Annual bonus rates are set depending on economic conditions
- Differences between the movement in assets backing the basic and GAO guarantees and their corresponding provisions are charged/credited to relevant asset shares.
- Smoothing profits/losses are credited/charged to relevant asset shares.
- The amount of estate available for distribution is included in the claims paid.
- If assets deemed alternative investments earn less than the risk free rate for two consecutive years, then the company sells these assets and reverts to conventional assets.

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

Projected Equity Proportions – Scenarios (i), (ii) and (iii)

	Equity Proportion	
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At 31 December 2011	37.6%	37.6%
(i) Risk free interest rate curve - End 5 years	34.5%	34.5%
(i) Risk free interest rate curve - End 10 years	29.6%	29.6%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2011	37.6%	37.6%
(ii) Risk free interest rate curve + 17.5% - End 5 years	34.5%	34.5%
(ii) Risk free interest rate curve + 17.5% - End 10 years	29.6%	29.6%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2011	37.6%	37.6%
(iii) Risk free interest rate curve – 17.5% - End 5 years	34.5%	34.5%
(iii) Risk free interest rate curve – 17.5% - End 10 years	29.6%	29.6%

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

(i) Risk Free Interest Rate Curve		31-Dec-11	31-Dec-16	31-Dec-21
Direct Unitised	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Pensions	1.1 / 0.6	1.1 / 0.6	1.1 / 0.6
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised				
Accumulating With-profits Personal Pensions business	Pensions	0	0.0	0.0
Reassurance	Life	1	1	1
Accepted Unitised	Pensions	1.5	1.5	1.5
Accumulating with-profits business	Capital Account	5.25	5.25	5.25

(ii) Risk Free Interest Rate Curve +17.5% of Long Term Gilt Yield				
		31-Dec-11	31-Dec-16	31-Dec-21
Direct Unitised	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
Accumulating With- profits business other than Personal Pensions ⁽¹⁾	Pensions	1.1 / 0.6	1.1 / 0.6	1.1 / 0.6
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With- profits Personal Pensions business	Pensions	0	0.0	0.0
Reassurance	Life	1	1	1
Accepted Unitised	Pensions	1.5	1.5	1.5
Accumulating with- profits business	Capital Account	5.25	5.25	5.25

(iii) Risk Free Interest Rate Curve -17.5% of Long Term Gilt Yield				
		31-Dec-11	31-Dec-16	31-Dec-21
Direct Unitised	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
Accumulating With- profits business other than Personal Pensions ⁽¹⁾	Pensions	1.1 / 0.6	1.1 / 0.6	1.1 / 0.6
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With- profits Personal Pensions business	Pensions	0	0.0	0.0
Reassurance	Life	1	1	1
Accepted Unitised	Pensions	1.5	1.5	1.5
Accumulating with- profits business	Capital Account	5.25	5.25	5.25

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

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

Product		Average paid-up / lapse rate for the policy years			
		1 to 5	6 to 10	11 to 15	16 to 20
Conventional with-profits Life business regular premium	PUP	0.5%	0.5%	0.5%	0.5%
Conventional with-profits Life business regular premium	lapse	2.5%	2.5%	2.5%	2.5%
Conventional with-profits Life business single premium	lapse	2.5%	2.5%	2.5%	2.5%
Conventional with-profits Pensions business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
Conventional with-profits Pensions business regular premium (Note 1)	lapse	0.5%	0.5%	0.5%	0.5%
Conventional with-profits Pensions business single premium	lapse	0.5%	0.5%	0.5%	0.5%
Conventional with-profits Industrial Branch business regular premium	PUP	0.0%	0.0%	0.0%	0.0%
Conventional with-profits Industrial Branch business regular premium	lapse	0.0%	0.0%	0.0%	0.0%
Direct Unitised Accumulating with-profits Personal Pensions business	PUP	4.0%	4.0%	4.0%	4.0%
Direct Unitised Accumulating with-profits Personal Pensions business	lapse	2.5%	2.5%	2.5%	2.5%
Direct Unitised with-profits Life business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
Direct Unitised with-profits Life business regular premium	lapse	6.0%	6.0%	6.0%	6.0%
Direct Unitised with-profits Life business single premium (Note 2)	lapse	8%	8%	8%	8%
Direct Unitised with-profits Pensions business other than Personal Pensions regular premium	PUP	7.0%	7.0%	7.0%	7.0%
Direct Unitised with-profits Pensions business other than Personal Pensions regular premium	lapse	2.5%	2.5%	2.5%	2.5%
Direct Unitised with-profits Pensions business other than Personal Pensions single premium	lapse	2.5%	2.5%	2.5%	2.5%
Direct Unitised with-profits business ISA and Bonus Account	PUP	3.0%	3.0%	3.0%	3.0%
Direct Unitised with-profits business ISA and Bonus Account	lapse	15%	15%	15%	15%
Reassurance Accepted Unitised Accumulating with-profits Life Business	lapse	8.4%	8.4%	8.4%	8.4%
Reassurance Accepted with-profits Pensions business - Personal Pension Plan	lapse	6.5%	6.5%	6.5%	6.5%
Reassurance Accepted with-profits Pensions business - Flexible Income Plan	lapse	9.0%	9.0%	9.0%	9.0%

- (1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.
- (2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.

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

	Projection Basis	
	Male	Female
Annuity Rate Guarantee – post vesting ⁽¹⁾	112.5% RMV00 projected	117.5% RFV00 projected

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

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

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

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

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

Other Long-Term Insurance Liabilities at 31 December 2011 (£m)	
Liability	Value
Pensions misselling	392
Other misselling provisions	0
Value of future profits from direct unitised accumulating with-profits business	(8)
Value of future shareholder transfers from direct unitised accumulating with-profits business	27
Investment return tax and investment expenses	6
Value of investment fees	12
Value of future tax charges levied	62
Additional liability for expenses	12
Other additional liabilities	55
Total	557

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

9. Realistic Current Liabilities

The realistic current liabilities were £4,076m and the following table gives a breakdown at 31 December 2011.

Current liabilities at 31 December 2011 (£m)	
Liability	Value
Outstanding claims	63
Other provisions	15
Creditors	3,996
Accruals and deferred income	1
Direct Insurance Business	1
Deferred tax liability	0
Total Realistic Current liabilities	4,076
Provision for "reasonably foreseeable adverse variations"	6
Total Regulatory Current Liabilities	4,082

10. Risk Capital Margin

(a) The risk capital margin at 31 December 2011 was zero.

The most onerous scenario is that which combines:

- (i) 20% fall in equity values; 12.5% fall in property values (25% was used to allow for gearing)
 - (ii) 17.5% rise in yield curve for UK assets, equivalent to a 0.43% nominal change in the long term gilt yield. US bond yields are reduced by 0.41%. Eurozone bond yields are reduced by 0.46%.
 - (iii) The average change in spreads for non-credit exempt bonds was +178 basis points when weighted by value (this would be +151 basis points if weighted by value and duration), resulting in an 8.84% fall in bond asset value.
 - (iv) The persistency risk scenario resulted in under 0.50% increase in the realistic value of liabilities.
 - (v) Not applicable.
- (b)
- (i) No additional management actions to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.
 - (ii) Not applicable.
 - (iii) Not applicable.
 - (iv) Not applicable.
- (c)
- (i) Not applicable.
 - (ii) Not applicable.

11. Tax

The following tax treatment has been assumed:

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

12. Derivatives

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

- A portfolio of credit default swaps with nominal exposure of £17m which Pearl pays in the event of a credit default in exchange for receiving fixed rate coupons. The average term to expiry is 5 years and the average rate of the fixed coupons is 0.86%.
- A portfolio of credit default swaps with nominal exposure of £604m which Pearl receives in the event of a credit default in exchange for paying fixed rate coupons. The average term to expiry is 3 years and the average rate of the fixed coupons is 1.17%.
- A portfolio of purchased swaptions with notional amounts totalling £557m. The options have maturity dates spread over the next 9 years. The underlying swaps entitle Pearl to receive the strike rate in exchange for the floating swap rate over a term of 15 years. The average strike rate was 5.0%.
- A portfolio of purchased swaptions with notional amounts totalling £484m. The options have maturity dates spread over the next 20 years. The underlying swaps entitle Pearl to receive the floating rate in exchange for the strike rate over a term of 20 years. The average strike rate was 8.2%.
- A portfolio of interest rate swaps with notional amounts totalling £1,920m in which Pearl pays floating rate coupons and receives fixed rate coupons. The average term to expiry is 21 years and the average rate of the fixed coupons is 1.28%.
- A portfolio of interest rate swaps with notional amounts totalling £2,053m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to expiry is 14 years and the average rate of the fixed coupons is 1.25%.
- A portfolio of swap spread hedges with notional amounts totaling £845m.
- A portfolio of overseas interest rate swaps with notional amounts totalling £303m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to expiry is 6 years and the average rate of the fixed coupons is 1.56%.
- A portfolio of UK equity futures with long positions totalling £(8)m.
- A portfolio of OS bond futures with short positions totaling £(32)m.
- A portfolio of OS bond futures with long positions totaling £6m.
- A portfolio of UK bond futures with short positions totaling £(198)m.

13. Analysis of Working Capital

Analysis of Movement in With-Profits Fund Working Capital (£m)	
Working Capital at 31 December 2010	0.0
Undo zeroisation to Opening Working Capital	887
Opening Adjustments	25
Methodology Changes	(8)
Investment return on opening Working Capital	115
Economic assumption changes	5
Non economic assumption changes	(40)
Economic variances	(14)
Other Economic variances	(42)
Non economic variance	(7)
Guarantee charges and estate distribution	(67)
Unexplained	8
Planned Enhancements	(865)
Working Capital at 31 December 2011	0.0

14. Optional Disclosure

Not applicable.

PEARL SERP Fund

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

2. Assets

- (1) There are no non-profit insurance contracts within the Pearl SERP fund. Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

3. With-profit benefits reserve liabilities

- (1) A retrospective method has been used to calculate the with-profit benefits reserves for contracts within the Pearl SERP fund. This method is the calculation of an asset share.

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

The following table shows the amount of the with-profit benefits reserve and the future policy related liabilities:

Product class	With-profit benefits reserve, £m	Future policy related liabilities, £m
Conventional with-profit pensions	549	876

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

4. With-profit benefits reserve – retrospective method

- (1)(a) 100% of the with-profit benefits reserve has been calculated on an individual basis using a retrospective method.
- (b) Not applicable.
- (c) Not applicable.
- (2)(a) Not applicable.
- (b) Not applicable.
- (3) The Scheme of Transfer effective 4 January 2010 specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration

and investment management. The administration expenses are expressed as an amount per policy, with the number of policies determined annually on the 1 July each year. Investment management expenses are expressed as a percentage of funds under management. No other expenses or charges shall be allocated to this fund.

- (a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2011.
- (b) The calculation of the administration expenses chargeable to the fund is performed annually.
- (c)
 - (i) No expenses were identified as initial expenses.
 - (ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2011:

	Maintenance expenses, £m	Investment management expenses, £m
Conventional with-profit pensions	2.4	0.4

The maintenance expenses above are in line with Schedule 2C scheme.

- (iii) The expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves. The maintenance expenses vary by product line, as set out in the Scheme of Transfer.
- (iv) Not applicable.
- (4) Smoothing charges of £1.0 million were deducted from the with-profit benefits reserves during the financial year.
- (5) No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.
- (6) The ratio of the total claims paid on with-profit insurance contracts to the with-profit benefits reserves plus (or minus) any past miscellaneous surplus (or deficit) attributed to those claims was 194% for 2011.
- (7) The investment return (before tax and expenses) allocated to the with-profit benefits reserve in respect of the financial year was 0.79%. For the valuation as at the end of 2010, the investment return (before tax and expenses) allocated to the with-profit benefit reserve was 3.19%, however for this valuation the investment return for 2010 has been restated to 5.34% to allow for a correction to the return achieved during December 2010.

With-profit benefits reserve – prospective method

5. With-profit benefits reserve – prospective method

- (1) Not applicable.
- (2) Not applicable.

6. Cost of guarantees, options and smoothing

- (2)(a) The cost of all guarantees, options and smoothing have been calculated using a full stochastic model approach.

(b)

(i) None

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

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

The following table sets out the grouping criteria:

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

In total there are 46,085 individual policies and members of group schemes, which have been grouped together into 1,854 model points.

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

(c) Not applicable.

(3) Not applicable.

(4)(a)

(i) The main contractual guarantee costs valued are:

Deferred annuity benefits, where the contract is written as a basic deferred annuity plus attaching reversionary bonus at vesting. These guarantees are largely in the money.

The costs of financial options relate to:

The value of the guaranteed cash factors, where the contracts are written with a guaranteed rate of conversion from annuity to cash. These conversion options are significantly out of the money.

There are no smoothing costs assumed in accordance with Pearl SERP fund's policy of targeting payouts at 100% of asset share.

(ii) The asset model assumes that:

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

The interest rate calibration process is as follows:

Interest rates follow an annual LIBOR market model on gilts + 10 basis points.

The initial yield curve is a direct input to the LIBOR Market Model. The model calibration is based on the market spot rates and swaption volatilities. The interest rate volatilities are calibrated to swaption implied volatilities. The fitting method is weighted least squares over the swaption volatility surface.

- It is not currently possible to observe meaningful option prices for the property market from which implied levels of property volatility can be derived. A real world estimate of levels of volatilities has therefore been used in the market-consistent calibration. Ideally, the volatility parameter would be set to reflect the prices of long-term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. As property returns are calculated in excess of the short-term

interest rate, the stochastic interest rate model introduces a term structure of implied volatility (even though the excess volatility is fixed).

- The corporate bond process is calibrated using real world unconditional estimates of long term transition probabilities, spread volatilities and corporate bond spreads at 31 December 2011. To fit the model, the fit is targeted to the average duration, average credit rating and corporate bond spread of the actual portfolio of assets.

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

Correlation factors between asset classes				
	Equity	Property	Government bonds	Nominal short-rate
Equities	100%	35%	13%	-9%
Property		100%	10%	-10%

Source: Barrie and Hibbert

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

	Asset type (all UK assets)	K=0.75						K=1						K=1.5													
		5		15		25		35		5		15		25		35		5		15		25		35			
n																											
r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	1.16%	2.84%	3.38%	3.46%																						
1	Risk-free zero coupon bond	£944,066	£656,581	£435,473	£304,465																						
2	FTSE All Share Index (p=1)	£120,735	£259,988	£360,058	£433,608	£229,731	£407,981	£537,748	£622,986	£558,761	£760,010	£927,473	£1,029,693														
3	FTSE All Share Index (p=0.8)	£117,663	£228,006	£285,953	£321,877	£223,989	£358,575	£428,425	£463,697	£545,278	£669,767	£746,381	£770,645														
4	Property (p=1)	£34,746	£108,698	£183,657	£239,154	£138,670	£243,670	£338,670	£406,615	£519,602	£618,883	£721,226	£797,974														
5	Property (p=0.8)	£32,521	£83,790	£124,443	£147,999	£132,453	£195,583	£240,917	£264,855	£504,231	£520,910	£538,183	£545,778														
6	15 year risk free zero coupon bonds (p=1)	£21,624	£17,198	£11,279	£19,127	£87,574	£79,032	£87,817	£121,854	£499,817	£497,710	£503,424	£525,461														
7	15 year risk free zero coupon bonds (p=0.8)	£20,421	£11,379	£3,995	£2,552	£82,839	£49,885	£26,818	£28,803	£482,727	£379,495	£292,463	£254,532														
8	15 year corporate bonds (p=1)	£25,659	£30,996	£32,241	£44,330	£100,044	£110,756	£118,971	£151,003	£495,535	£492,196	£502,262	£529,611														
9	15 year corporate bonds (p=0.8)	£24,255	£20,750	£14,550	£13,795	£94,892	£77,714	£57,514	£56,599	£478,653	£380,272	£304,657	£272,879														
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£75,010	£179,341	£264,511	£333,180	£174,270	£314,980	£425,994	£508,406	£525,404	£664,904	£800,659	£897,865														
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£72,513	£151,818	£199,458	£232,583	£168,585	£267,997	£325,515	£360,682	£510,434	£573,062	£623,162	£648,684														
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£65,037	£152,851	£223,361	£288,482	£158,621	£280,205	£375,362	£453,107	£513,608	£622,214	£742,727	£832,177														
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£62,779	£127,406	£165,048	£195,885	£153,152	£236,321	£279,719	£314,055	£498,148	£530,804	£567,973	£588,112														

14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£36,302	£91,151	£141,863	£190,501	£120,407	£203,181	£277,217	£341,169	£502,965	£555,997	£638,995	£711,943
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£34,541	£71,525	£94,724	£113,949	£114,986	£162,322	£190,496	£212,929	£486,501	£458,261	£462,628	£470,855
		L=15											
16	Receiver swaptions	16.10%	11.15%	7.67%	5.34%	19.27%	13.34%	9.20%	6.39%	21.93%	15.18%	10.48%	7.28%
		L=20											
		L=25											

Note: The values in the above table were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception; the corporate bond scenarios used to derive the values in the table are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine the realistic balance sheet reflect the average credit quality of the corporate bond portfolio.

- (iv) The initial property rental yield for the UK is 4.4%.
- (v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.
- (vi) The average outstanding durations of significant guarantees by main product type are shown in the table below:

Product type	Outstanding duration of guarantees (years)
SERP	22

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

Ratio of simulated swaption values to pseudo swaption prices		
Option maturity	Swap length	
	10 years	15 years
10 years	103.28%	100.18%
15 years	101.73%	97.27%

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

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

- (vii) It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. In a market-consistent model, the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (the "one=one" test). The observed error was small and the scenarios are considered to have passed the no-arbitrage test. There is no material drift in the corporate bond martingale test
 - (viii) In addition the validation process performed a further test to check that the market prices of relevant traded instruments can be replicated. This validation test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for swaptions and the initial yield curve. The observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. It is not possible to illustrate the fit of the property scenarios to market data; however, the fit of the property volatility assumption has also been validated.
- (b) Not applicable.
 - (c) Not applicable.
- (5) (a) No management action assumptions have been applied.
- (b) The estimated proportions of equities (both UK and non-UK) backing the with-profit benefits reserves are as follows:

	31 December 2011	31 December 2016	31 December 2021
Proportion of equities backing with-profit benefits reserves	0%	0%	0%

These proportions apply in each of the three scenarios.

- (6) Persistency assumptions used to determine the costs of guarantees, options and smoothing are set out in the table below:

Product	Average lapse / surrender / paid up rate for the policy years	
<u>All Durations</u>		
CWP pension regular premium	PUP	0.00%
CWP pension regular premium	surrender	0.90%
CWP pension single premium	surrender	0.90%

Investigations have indicated that a significant number of SERP policies are taking the guaranteed benefits at earlier ages than 65 and in particular a large number of policyholders are taking these benefits around age 60, when the guarantees first become available.

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

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

The annuitant mortality assumptions used are:

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

Female lives: 109% RFV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

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

7. Financing costs

Not applicable

8. Other long-term insurance liabilities

The amount in Form 19 line 47 represents liabilities in respect of the potential amount of future investment expenses charged to estate and repayment of support fund to shareholders.

9. Realistic current liabilities

The regulatory current liabilities comprise of the other current liabilities as reported within Form 14 lines 17 to 41.

The realistic current liabilities, of £462.3 million, shown at line 51 of Form 19 are the same as the regulatory current liabilities.

10. Risk capital margin

- (a) There is no risk capital margin held for Pearl SERP fund at 31 December 2011. The shareholder value of £102.0 million is now represented as a liability and is sufficient to cover the risk capital margin stresses.. Under the risk capital margin stresses the shareholder value is impaired by £26.1 million leaving £75.8 million of shareholder value.

The most onerous scenario for Pearl SERP fund is that which combines:

- (i) The percentage changes in the market value of equities and real estate for the purposes of the market risk scenario for UK assets were 20% and 12.5% respectively. A fall in the market value of these assets was the more onerous in each case.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.43%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.46%. A rise in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the with-profit sub fund's assets was 83 basis points.

- (a) The change in value for the with-profit sub fund bond assets was a 2.8% decrease in asset value.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.
- (e) The change in value for the with-profit sub fund other assets was 0%.
- (iv) The persistency risk scenario resulted in a 0.27% increase in the realistic value of liabilities.
- (v) Not applicable.

(b)

- (i) No management actions were assumed for the purposes of calculating the risk capital margin.
- (ii) Not applicable.
- (iii) Not applicable.
- (iv) Not applicable.

(c)

- (i) Not applicable.
- (ii) Not applicable.

11. Tax

No tax is assumed on pensions business.

12. Derivatives

The fund holds a number of sterling receiver swaptions executed with UBS AG and payer swaptions executed with Goldman Sachs. The table below contains a summary of the trades.

Company	Notional amount, £000s	Strike level	Maturity date	Expiry date
UBS	53,000	4.88% - 4.89%	2012	2027
UBS	32,800	4.83% - 4.87%	2013	2028
UBS	96,000	4.79% - 4.82%	2014	2029
UBS	102,200	4.74% - 6.00%	2015	2030
UBS	108,000	4.70% - 6.00%	2016	2031
GBP	121,540	6.00%	2012	2027
GBP	86,320	6.00%	2013	2028

The fund also holds a number of interest rate receiver and payer swaps executed with UBS, Deutsche Bank, Morgan Stanley, Barclay's Capital and RBS. The table below contains a summary of the trades.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
UBS Swaps	-130,600,000	Pay	4.60	16/12/2015
UBS Swaps	-348,700,000	Pay	4.49	16/12/2020
UBS Swaps	119,300,000	Receive	4.64	19/12/2012
DB Swaps	208,000,000	Receive	5.69	21/06/2022
DB Swaps	69,000,000	Receive	5.49	21/06/2027
DB Swaps	155,000,000	Receive	6.05	22/06/2015
DB Swaps	50,000,000	Receive	5.40	06/08/2027
IRS Swaps	130,000,000	Receive	5.58	30/07/2012
IRS Swaps	-192,900,000	Pay	3.21	22/12/2012
IRS Swaps	-16,800,000	Pay	4.05	07/11/2039
IRS Swaps	-62,500,000	Pay	4.01	07/03/2023
IRS Swaps	-10,600,000	Pay	3.84	07/12/2049
IRS Swaps	-13,600,000	Pay	3.95	07/03/2036
IRS Swaps	-7,300,000	Pay	3.89	07/12/2046
UBS Swaps	12,688,000	Receive	4.62	17/12/2014
UBS Swaps	-68,288,000	Pay	4.62	17/12/2014

The fund also holds a total return bond swap which is summarised in the table below.

Security name	Nominal amount	Pay/Receive	Strike level	Maturity
	£s		%	date
TRS Swap	13,900,000	Receive	4.25	27/04/2012
TRS Swap	62,000,000	Receive	0.78	06/07/2012
TRS Swap	7,900,000	Receive	4.25	08/08/2012
TRS Swap	17,200,000	Receive	4.25	01/10/2012
TRS Swap	11,200,000	Receive	4.25	27/09/2012

The fund also holds a number of RPI swaps executed with Deutsche Bank. These are summarised in the table below:

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
	£s			
Deutsche Bank Break Even	1,323,000	Receive	3.07% pa	20/06/2012
Deutsche Bank Break Even	1,077,000	Receive	3.07% pa	20/06/2013
Deutsche Bank Break Even	875,000	Receive	3.07% pa	20/06/2014
Deutsche Bank Break Even	710,000	Receive	3.07% pa	20/06/2015
Deutsche Bank Break Even	573,000	Receive	3.07% pa	20/06/2016
Deutsche Bank Break Even	459,000	Receive	3.07% pa	20/06/2017
Deutsche Bank Break Even	364,000	Receive	3.07% pa	20/06/2018
Deutsche Bank Break Even	287,000	Receive	3.07% pa	20/06/2019
Deutsche Bank Break Even	224,000	Receive	3.07% pa	20/06/2020
Deutsche Bank Break Even	173,000	Receive	3.07% pa	20/06/2021
Deutsche Bank Break Even	131,000	Receive	3.07% pa	20/06/2022
Deutsche Bank Break Even	99,000	Receive	3.07% pa	20/06/2023
Deutsche Bank Break Even	73,000	Receive	3.07% pa	20/06/2024
Deutsche Bank Break Even	52,000	Receive	3.07% pa	20/06/2025
Deutsche Bank Break Even	37,000	Receive	3.07% pa	20/06/2026
Deutsche Bank Break Even	26,000	Receive	3.07% pa	20/06/2027
Deutsche Bank Break Even	18,000	Receive	3.07% pa	20/06/2028
Deutsche Bank Break Even	12,000	Receive	3.07% pa	20/06/2029
Deutsche Bank Break Even	8,000	Receive	3.07% pa	20/06/2030
Deutsche Bank Break Even	5,000	Receive	3.07% pa	20/06/2031
Deutsche Bank Break Even	3,000	Receive	3.07% pa	20/06/2032
Deutsche Bank Break Even	2,000	Receive	3.07% pa	20/06/2033
Deutsche Bank Break Even	1,000	Receive	3.07% pa	20/06/2034

13. Analysis of working capital

The following table sets out the significant movements in the working capital, shown in Form 19 line 68, from 31 December 2010 to 31 December 2011.

Analysis of Movement in Working Capital (£m)	
Working Capital at 31 December 2010	123
Opening Adjustments	(4)
Expected Investment return on opening Working Capital	2
Non economic assumption changes	8
Economic variances	5
Other Economic variances	(1)
Transfers to shareholder funds	(22)
Unexplained	(9)
Shareholder Liability	(102)
Working Capital at 31 December 2011	0

14. Optional disclosure

Not applicable.

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2011

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year 2011.

1. a) During the year, K J Arnott held options to subscribe for 37,655 shares in Phoenix Group Holdings, the ultimate holding company, granted under the Company's Long Term Incentive Plan.
 - b) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2011 was £406,940*.
 - c) K J Arnott was a member of the Pearl Staff Pension Scheme from 1 January 2011 to 30 June 2011, and was entitled to the standard benefits under the rules of the scheme. From 1 July 2011 to 31 December 2011 he was a member of the PGL Pension Scheme and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

Note 1

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

* Any undeclared bonuses are excluded.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

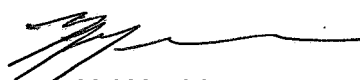
PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2011

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waivers in supplementary notes 0101 and 0202; and
- (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (c) the with profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
- (d) we have, in preparing the return, taken and paid due regard to:
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



M J Merrick
Chief Executive



A Moss
Director



M D Ross
Director

Date: 20 March 2012

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2011

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

- Forms 1 to 3, 11 to 19, 20A, 20, 22 to 25, 30, 40 to 44, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 ("the statements"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

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

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary notes 0101 and 0201. Under IPRU(INS) rule 9.11 the Forms, the statements and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statements and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PEARL ASSURANCE LIMITED

Global business

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(continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statements and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 21 March 2012. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statements and the valuation reports.

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

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

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PEARL ASSURANCE LIMITED

Global business

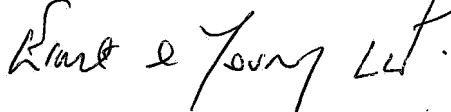
Financial year ended 31 December 2011

(continued)

Opinion

In our opinion:

- (a) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP

Statutory Auditor

London

Date 21 March 2012