

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Registered in England - No. 1419

Registered office

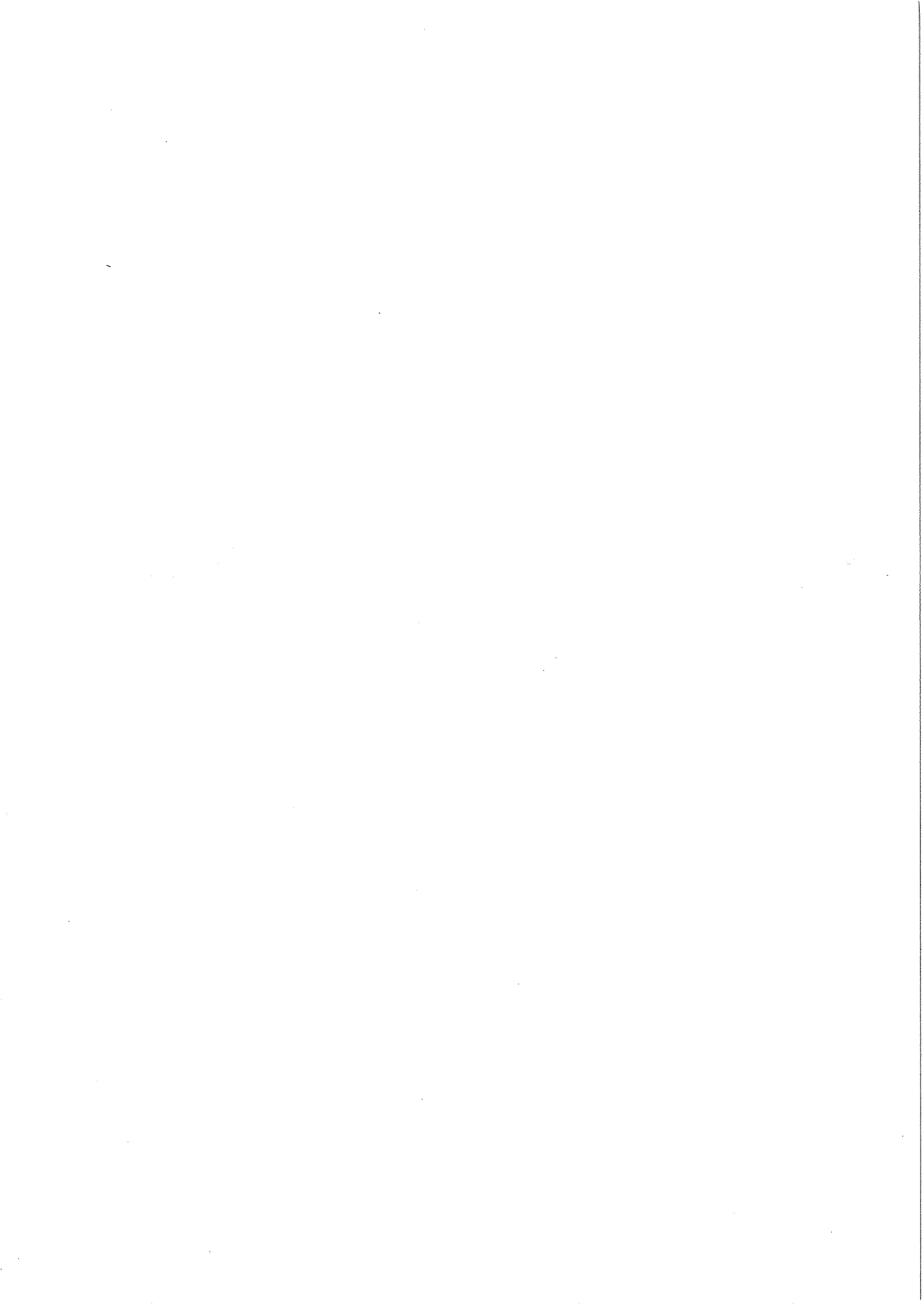
The Pearl Centre, Lynch Wood,

Peterborough. PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2008

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



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

Global business

Financial year ended **31 December 2008**

Adjusted solo solvency calculation

R1	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	1419	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising outside the long-term insurance fund	11	580494	525288
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	565494	510288
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	15000	15000

Guarantee fund

Guarantee fund requirement	21	2518	2231
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	12482	12769

Minimum capital requirement (MCR)

General insurance capital requirement	31	3224	3224
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	3224	3224
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	3224	3224
Excess (deficiency) of available capital resources to cover 50% of MCR	37	13388	13388
Excess (deficiency) of available capital resources to cover 75% of MCR	38	12582	12582

Capital resources requirement (CRR)

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

Contingent liabilities

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

Form 1

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

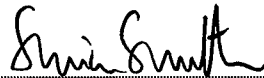
Global business

Financial year ended **31 December 2008**



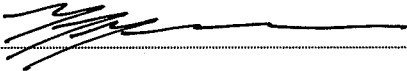
J S Moss

Managing Director



J S B Smith

Director



M J Merrick

Director

Date **9 April 2009**

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

Global business

Financial year ended **31 December 2008**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day month year			Units	
		R2	1419	GL		31
					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	768146	1678843
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	565494	510288
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1333640	2189131

Guarantee fund

Guarantee fund requirement	21	320029	346830
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1013611	1842301

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	353474	385093
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	353474	385093
Capital requirements of regulated related undertakings	35	204722	220696
Minimum capital requirement (34+35)	36	558196	605789
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1054542	1886237
Excess (deficiency) of available capital resources to cover 75% of MCR	38	914993	1734790

Enhanced capital requirement

With-profits insurance capital component	39	360749	1079764
Enhanced capital requirement	40	918945	1685553

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	918945	1685553
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	414695	503578

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 resources

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2008	£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	

Core tier one capital

Permanent share capital	11		342109	342109	342109
Profit and loss account and other reserves	12	25865	521932	547797	815468
Share premium account	13		40716	40716	40716
Positive valuation differences	14		418793	418793	1161482
Fund for future appropriations	15		208424	208424	306027
Core tier one capital in related undertakings	16		30486	30486	(95331)
Core tier one capital (sum of 11 to 16)	19	25865	1562460	1588325	2570471

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	25865	1562460	1588325	2570471
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34	10865		10865	12794
Other negative valuation differences	35				
Deductions in related undertakings	36		35315	35315	68466
Deductions from tier one (32 to 36)	37	10865	35315	46180	81260
Total tier one capital after deductions (31-37)	39	15000	1527145	1542145	2489211

Components of capital resources

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1419	GL	31	12	2008	£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					
Lower tier two capital in related undertakings	53			65000	65000	65000
Lower tier two capital (51+52+53)	59			65000	65000	65000

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

Components of capital resources

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1419	GL	31	12	2008	£000
			General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72	15000	1592145	1607145	2554211	
Inadmissible assets other than intangibles and own shares	73		41821	41821	23348	
Assets in excess of market risk and counterparty limits	74		216684	216684	326732	
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	1333640	1348640	2204131	

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81	15000	1333640	1348640	2204131	
Available capital resources for 50% MCR requirement	82	15000	1333640	1348640	2204131	
Available capital resources for 75% MCR requirement	83	15000	1333640	1348640	2204131	

Financial engineering adjustments

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

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

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

Global business

 Financial year ended **31 December 2008**

General insurance business

		Company registration number	GL/UK/CM	day	month	year	Units	
		R11	1419	GL	31	12	2008	£000
		This financial year					Previous year	
		1					2	
Gross premiums written		11				4		
Premiums taxes and levies (included in line 11)		12						
Premiums written net of taxes and levies (11-12)		13				4		
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				4		
Gross premiums earned		21				4		
Premium taxes and levies (included in line 21)		22						
Premiums earned net of taxes and levies (21-22)		23				4		
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				4		
Sub-total I (higher of sub-total A and sub-total H)		30				4		
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31						
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32				1		
	Excess (if any) over 53.1M EURO x 0.02	33						
Sub-total J (32-33)		34				1		
Claims paid in period of 3 financial years		41				11650		26060
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42				7546		7757
	For insurance business accounted for on an accident year basis	43				46328		46676
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44				177775		197053
	For insurance business accounted for on an accident year basis	45				37658		29866
Sub-total C (41+42+43-44-45)		46				(149909)		(146426)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47				(162940)		(159251)
Sub-total D (46-47)		48				13031		12825
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)		49				0.50		0.50
Premiums amount (Sub-total J x reinsurance ratio)		50				0		
Provision for claims outstanding (before discounting and net of reinsurance)		51				41157		39692
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52						
Brought forward amount (See instruction 4)		53				3224		3224
Greater of lines 50 and 53		54				3224		3224

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

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

Global business

Financial year ended **31 December 2008**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	1419	GL	31	12	2008	£000
				This financial year		Previous year	
				1		2	
Gross premiums receivable			11			1501	1622
Premiums taxes and levies (included in line 11)			12				
Premiums receivable net of taxes and levies (11-12)			13			1501	1622
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			1460	1577
Sub-total A (13 + 1/2 14 - 2/3 15)			16			528	571
Gross premiums earned			21			1507	1626
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			1507	1626
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			1466	1581
Sub-total H (23 + 1/2 24 - 2/3 25)			26			530	572
Sub-total I (higher of sub-total A and sub-total H)			30			530	572
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			95	103
	Excess (if any) over 53.1M EURO x 0.02		33				
Sub-total J (32-33)			34			95	103
Claims paid in period of 3 financial years			41			1570	1702
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			1980	2646
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			2880	2769
Sub-total C (41+42+43-44-45)			46			670	1579
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			522	1493
Sub-total D (46-47)			48			148	86
Reinsurance Ratio (Sub-total D /sub-total C or, if more,50% or, if less, 100%)			49			0.50	0.50
Premiums amount (Sub-total J x reinsurance ratio)			50			48	51
Provision for claims outstanding (before discounting and net of reinsurance)			51			1980	
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 (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)			53			93	93
Greater of lines 50 and 52			54			93	93

Calculation of general insurance capital requirement - claims amount and result

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

Global business

Financial year ended **31 December 2008**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2008	£000
		This financial year					Previous year	
		1					2	
Reference period (No. of months) See INSPRU 1.1.63R		11					36	36
Claims paid in reference period		21					11650	26060
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22					7546	7757
	For insurance business accounted for on an accident year basis	23					46328	46676
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24					177775	197053
	For insurance business accounted for on an accident year basis	25					37658	29866
Claims incurred in reference period (21+22+23-24-25)		26					(149909)	(146426)
Claims incurred for classes 11, 12 or 13 (included in 26)		27					7898	11630
Claims incurred for "actuarial health insurance" (included in 26)		28						
Sub-total E (26 +1/2 27 - 2/3 28)		29					(145960)	(140611)
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					(48653)	(46870)
Division of sub-total F (gross adjusted claims amount)	x 0.26	32					(12650)	(12186)
	Excess (if any) over 37.2M EURO x 0.03	33						
Sub-total G (32-33)		39					(12650)	(12186)
Claims amount Sub-total G x reinsurance ratio (11.49)		41					(6325)	(6093)
Higher of premiums amount and brought forward amount (11.54)		42					3224	3224
General insurance capital requirement (higher of lines 41 and 42)		43					3224	3224

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

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

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2008	£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	1422			1702
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	1980			2646
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	2880			2769
Claims incurred in reference period (21+22+23-24-25)				26	522			1579
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	522			1493
Sub-total E (26 +1/2 27 - 2/3 28)				29	174			584
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	58			195
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	15			51
	Excess (if any) over 37.2M EURO x 0.03			33				
Sub-total G (32-33)				39	15			51
Claims amount Sub-total G x reinsurance ratio (11.49)				41	8			51
Higher of premiums amount and brought forward amount (11.53)				42	93			93
General insurance capital requirement (higher of lines 41 and 42)				43	93			93

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

Global business

Financial year ended **31 December 2008**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	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	125013	67500
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		671118
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	98971	35474
Rights under derivative contracts	44	122837	17475
Fixed interest securities	Approved	45	103088
	Other	46	3419
Variable interest securities	Approved	47	
	Other	48	18073
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		31763
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	70408
	More than one month withdrawal	55	10000
Other financial investments	56		
Deposits with ceding undertakings	57	54	53
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

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

Global business

Financial year ended **31 December 2008**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	2008	£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	12718	14741
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	7	7
	Ceded	75		
Dependants	due in 12 months or less	76		1
	due in more than 12 months	77		
Other	due in 12 months or less	78	41174	30209
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	65524	88551
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	3786	10018
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	16	31

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	594730	1264435
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**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	2008	£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	594730	1264435
Admissible assets in excess of market and counterparty limits	92	163817	311525
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94	305012	220697
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		84656
Inadmissible assets of regulated related undertakings	96	36648	1846
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(125139)	
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	(19318)	(15262)
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	955750	1867897
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	23307	1

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

Global business

Financial year ended **31 December 2008**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	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		54800	113640	

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	154868	161618
	Debts and loans	26	178217	67960
Other group undertakings	Shares	27	53157	48862
	Debts and loans	28	28755	64677
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2832445	3104387	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1346536	1752138	
Rights under derivative contracts	44	1381016	285715	
Fixed interest securities	Approved	45	2165499	3216346
	Other	46	1643305	2207092
Variable interest securities	Approved	47	987132	62626
	Other	48	3381980	1045891
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	10257	10734	
Other loans	53	5875	46645	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	389714	28372
	More than one month withdrawal	55		20000
Other financial investments	56			
Deposits with ceding undertakings	57	34182	35869	
Assets held to match linked liabilities	Index linked	58	65314	74277
	Property linked	59	142	41281

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

Global business

Financial year ended **31 December 2008**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	2008	£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	2408	4229
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	12053	12338
	Ceded	75	922	297
Dependants	due in 12 months or less	76	1547	943
	due in more than 12 months	77		
Other	due in 12 months or less	78	63399	34589
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	410026	130094
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	81600	110781
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	25604	16035

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	15310753	12697436
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**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	2008	£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	15310753	12697436
Admissible assets in excess of market and counterparty limits	92	52867	15207
Inadmissible assets directly held	93	40488	21502
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		14139
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	29653	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2621356	2740460
Other asset adjustments (may be negative)	101	(4500)	
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	18050617	15488744

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	94640	150335
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£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	58717	67960
Other group undertakings	Shares	27		
	Debts and loans	28	28755	64677
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	16744		
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	16699	15586	
Rights under derivative contracts	44	104		
Fixed interest securities	Approved	45	44487	44276
	Other	46	23306	26550
Variable interest securities	Approved	47		
	Other	48	9494	23870
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		1114
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2008**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£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	922 297
Dependants	due in 12 months or less	76	393
	due in more than 12 months	77	
Other	due in 12 months or less	78	11661 14998
	due in more than 12 months	79	

Other assets

Tangible assets	80	
Deposits not subject to time restriction on withdrawal with approved institutions	81	19681 3645
Cash in hand	82	
Other assets (particulars to be specified by way of supplementary note)	83	
Accrued interest and rent	84	1807 1785
Deferred acquisition costs (general business only)	85	
Other prepayments and accrued income	86	98 79

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	232475 265230
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£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	232475	265230
Admissible assets in excess of market and counterparty limits	92	36046	
Inadmissible assets directly held	93	30800	741
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		14139
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	29653	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	(5971)	(1208)
Other asset adjustments (may be negative)	101	(18996)	(12189)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	99119	145926

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

Global business

Financial year ended **31 December 2008**Category of assets **0:100 PENSIONS**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2008	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	68374	73874
	Debts and loans	26	119500	
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	799073	316281	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	215835	434744	
Rights under derivative contracts	44	415648	81297	
Fixed interest securities	Approved	45	525936	652757
	Other	46	389234	575863
Variable interest securities	Approved	47	98949	
	Other	48	387370	559569
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	65314	74277
	Property linked	59		

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

Global business

Financial year ended **31 December 2008**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£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	40	62
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	2696	957
	Ceded	75		
Dependants	due in 12 months or less	76	842	22670
	due in more than 12 months	77		
Other	due in 12 months or less	78	15153	882
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	115846	60177
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	23497	34937
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	23	469

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	3243330	2888816
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3243330	2888816
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	9000	12937
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2620161	2732003
Other asset adjustments (may be negative)	101		(3354)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	10342	20984
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **90:10**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1419	GL	31	12	2008	£000	13
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings						11	54800	113640

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	86494	87744
	Debts and loans	26		
Other group undertakings	Shares	27	53157	48862
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2016628	2788106	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1114002	1301808	
Rights under derivative contracts	44	965264	204418	
Fixed interest securities	Approved	45	1595076	2519313
	Other	46	1230765	1604679
Variable interest securities	Approved	47	888183	62626
	Other	48	2985116	462452
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	10257	10734	
Other loans	53	5875	46645	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	389714	28372
	More than one month withdrawal	55		18886
Other financial investments	56			
Deposits with ceding undertakings	57	34182	35869	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	142	41281

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

Global business

Financial year ended **31 December 2008**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£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	2368	4167
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	9357	12338
	Ceded	75		
Dependants	due in 12 months or less	76	12873	12698
	due in more than 12 months	77		
Other	due in 12 months or less	78	56875	21408
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	274499	66272
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	56296	74059
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	25483	15487

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	11867406	9581864
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2008	£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	.11867406	9581864
Admissible assets in excess of market and counterparty limits	92	16821	15207
Inadmissible assets directly held	93	688	7824
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	7166	9665
Other asset adjustments (may be negative)	101	(17962)	(22930)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	13691	18544
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Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Total business/Sub fund **Summary**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	7316673	8045642	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	144859	245181	
Long term insurance business fund carried forward (11 to 13)	14	7461532	8290823	
Claims outstanding	Gross	15	58235	63539
	Reinsurers' share	16		
	Net (15-16)	17	58235	63539
Provisions	Taxation	21	4500	47820
	Other risks and charges	22	18627	23185
Deposits received from reinsurers	23	2450724	2574087	
Creditors	Direct insurance business	31	48	352
	Reinsurance accepted	32		300
	Reinsurance ceded	33	175	355
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	3	6685
	Other	38	4669344	252006
Accruals and deferred income	39	11023	1515	
Provision for "reasonably foreseeable adverse variations"	41	13160	3012	
Total other insurance and non-insurance liabilities (17 to 41)	49	7225934	2972951	
Excess of the value of net admissible assets	51	623287	1433662	
Total liabilities and margins	59	15310753	12697436	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	21535	6384
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	142	41281

Total liabilities (11+12+49)	71	14542607	11018593
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2621356	2740460
Other adjustments to liabilities (may be negative)	74	414293	1163186
Capital and reserves and fund for future appropriations	75	472361	566505
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	18050617	15488744

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

Global business

Financial year ended **31 December 2008**Total business/Sub fund **90:10**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	6822787	7738925	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	7421	71349	
Long term insurance business fund carried forward (11 to 13)	14	6830208	7810274	
Claims outstanding	Gross	15	55904	60621
	Reinsurers' share	16		
	Net (15-16)	17	55904	60621
Provisions	Taxation	21	900	45220
	Other risks and charges	22	18627	23185
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	48	352
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37		7978
	Other	38	4335154	216951
Accruals and deferred income	39	11023	1514	
Provision for "reasonably foreseeable adverse variations"	41	13160	3012	
Total other insurance and non-insurance liabilities (17 to 41)	49	4434911	358928	
Excess of the value of net admissible assets	51	602287	1412662	
Total liabilities and margins	59	11867406	9581864	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	15848	28270
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	142	41281

Total liabilities (11+12+49)	71	11257698	8097853
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and margins

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Global business
 Financial year ended **31 December 2008**
 Total business/Sub fund **0:100 BLAGAB**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	54673	56827	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	132562	167853	
Long term insurance business fund carried forward (11 to 13)	14	187235	224680	
Claims outstanding	Gross	15	1729	2218
	Reinsurers' share	16		
	Net (15-16)	17	1729	2218
Provisions	Taxation	21	3600	2600
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	175	355
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	3946	1100
	Other	38	14790	13277
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	24240	19550	
Excess of the value of net admissible assets	51	21000	21000	
Total liabilities and margins	59	232475	265230	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11326	12177
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	78913	76377
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2008**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	439213	249890	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	4876	5979	
Long term insurance business fund carried forward (11 to 13)	14	444089	255869	
Claims outstanding	Gross	15	602	700
	Reinsurers' share	16		
	Net (15-16)	17	602	700
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23	2450724	2574087	
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		300
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	3	3
	Other	38	347912	57856
Accruals and deferred income	39		1	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	2799241	2632947	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	3243330	2888816	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	22873	1056
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	3238454	2882837
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	1419	GL	31	12	2008	£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	53875	54433
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	53875	54433

Provisions and creditors

Provisions	Taxation	21	
	Other risks and charges	22	2955
Deposits received from reinsurers	31		
Creditors	Direct insurance business	41	
	Reinsurance accepted	42	1148
	Reinsurance ceded	43	
Debenture loans	Secured	44	
	Unsecured	45	
Amounts owed to credit institutions	46		
Creditors	Taxation	47	18378
	Foreseeable dividend	48	
	Other	49	238165
Accruals and deferred income	51	4727	4703
Total (19 to 51)	59	319248	958139
Provision for "reasonably foreseeable adverse variations"	61		1704
Cumulative preference share capital	62		
Subordinated loan capital	63		
Total (59 to 63)	69	319248	959843

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	940	4343
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Amounts deducted from technical provisions for discounting	82	10865	12794
Other adjustments (may be negative)	83	(19318)	(16968)
Capital and reserves	84	666685	937816
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	955750	1867897

Profit and loss account (non-technical account)

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2008

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2008	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11	406		28	
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13	(11072)		(11313)	
Investment income	Income		14	25987		32881	
	Value re-adjustments on investments		15			8368	
	Gains on the realisation of investments		16	106222			
Investment charges	Investment management charges, including interest		17	2968		385	
	Value re-adjustments on investments		18	271917			
	Loss on the realisation of investments		19			3144	
Allocated investment return transferred to the general insurance business technical account			20	5169		3265	
Other income and charges (particulars to be specified by way of supplementary note)			21	(21545)		(12090)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	(180056)		11080	
Tax on profit or loss on ordinary activities			31	(23050)		(2592)	
Profit or loss on ordinary activities after tax (29-31)			39	(157006)		13672	
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	(157006)		13672	
Dividends (paid or foreseeable)			51	137118		118623	
Profit or loss retained for the financial year (49-51)			59	(294124)		(104951)	

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

Global business

Financial year ended **31 December 2008**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	2008	£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	122837	170985	2260000	2352330		
	Interest rates	12		21984		396730		
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15						
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19						
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	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	122837	192969	2260000	2749060		
Adjustment for variation margin		52						
Total (51 + 52)		53	122837	192969				

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

Analysis of derivative contracts

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

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	2008	£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	6403	3040	2523129	198469			
	Interest rates	12	1101844	330572	5545542	3059017			
	Inflation	13		341027	294259				
	Credit index / basket	14	10234	2954	102190	91826			
	Credit single name	15	115480	12044	1056040	720225			
	Equity index	16		4370	23267	228148			
	Equity stock	17							
	Land	18							
	Currencies	19	29708	266803	3965941	407940			
	Mortality	20							
	Other	21	10683	3197		165153			
In the money options	Swaptions	31	4431		703335				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36	12757	6559	8311250	8353750			
Out of the money options	Swaptions	41	86440		602560				
	Equity index calls	42		4687		176085			
	Equity stock calls	43							
	Equity index puts	44	9439	4436	113120	135730			
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	1387419	979689	23240633	13536343			
Adjustment for variation margin		52	(6403)	(5189)					
Total (51 + 52)		53	1381016	974500					

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 PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **0:100 BLAGAB**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2008	£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				2220			63000
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19		104		1124		26684	2576
	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		104		3344		26684	65576
Adjustment for variation margin		52							
Total (51 + 52)		53		104		3344			

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 PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **0:100 PENSIONS**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2008	£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	4353	161	2485514	121556			
	Interest rates	12	360204	86318	3046284	1441933			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	16008		162786	430526			
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	19493	84828	1431769	233323			
	Mortality	20							
	Other	21	7186				59867		
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36	12757	6559	8311250	8353750			
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	420001	177866	15437603	10640955			
Adjustment for variation margin		52	(4353)	(161)					
Total (51 + 52)		53	415648	177705					

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 PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008**Category of assets **90:10**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2008	£000	13
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets		Liabilities		Bought / Long		Sold / Short	
				1	2	3	4		
Futures and contracts for differences	Fixed-interest securities	11	2050	659	37615	13913			
	Interest rates	12	741640	244254	2499258	1617084			
	Inflation	13		341027	294259				
	Credit index / basket	14	10234	2954	102190	91826			
	Credit single name	15	99472	12044	893254	289699			
	Equity index	16		4370	23267	228148			
	Equity stock	17							
	Land	18							
	Currencies	19	10111	180851	2507488	172041			
	Mortality	20							
	Other	21	3497	3197		105286			
In the money options	Swaptions	31	4431		703335				
	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	86440		602560				
	Equity index calls	42		4687		176085			
	Equity stock calls	43							
	Equity index puts	44	9439	4436	113120	135730			
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	967314	798479	7776346	2829812			
Adjustment for variation margin		52	(2050)	(5028)					
Total (51 + 52)		53	965264	793451					

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 PUBLIC LIMITED COMPANY**
 With-profits fund **90:10**
 Financial year ended **31 December 2008**
 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	11867406	9581864
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	207702	232337
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	7098	7907
	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	11652606	9341620
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	6615085	7506588
	Regulatory current liabilities of the fund	22	4434911	358928
	Total (21+22)	29	11049996	7865516
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts	31	227688	257772	
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	11277684	8123288	
Regulatory excess capital (19-39)	49	374922	1218332	

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	374922	1218332
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	114463	138568
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	260459	1079764

Realistic balance sheetName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**With-profits fund **90:10**Financial year end **31 December 2008**Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	11652606	9341620
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	16821	15207
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	7823	49548
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	11677250	9406375
Support arrangement assets	27		
Assets available to the fund (26+27)	29	11677250	9406375

Realistic value of liabilities of fund

With-profits benefit reserve	31	5075855	6939534	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	75654	107292
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	898254	819813
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	261744	65346
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	621253	249223
	Future costs of non-contractual commitments	42	108267	82932
	Future costs of financial options	43	286469	339353
	Future costs of smoothing (possibly negative)	44	(59052)	30947
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	510542	546711
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2179643	2110925
Realistic current liabilities of the fund	51	4421752	355916	
Realistic value of liabilities of fund (31+49+51)	59	11677250	9406375	

Realistic balance sheetName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**With-profits fund **90:10**Financial year ends **31 December 2008**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	11677250	9406375
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	11677250	9406375
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	300232	365012
Additional amount potentially available for inclusion in line 63	82	67450	23100

General insurance business : Summary of business carried on

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

Category number	FSA return general insurance business reporting category	R20A	Company registration number 1419	GL/ UK/ CM GL	day month year			units £000
					31	12	2008	
			Gross Premium written in this financial year 1	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 4		
				Reported 2	Incurred but not reported 3			
1	Total business	1	4	8484	42764			
2	Total primary (direct) and facultative business	2		6505	39824			
3	Total treaty reinsurance accepted business	3	4	1979	2940			

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		2509	791	
160	Primary (direct) and facultative household and domestic all risks	6		679	1397	
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		556	373	
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		72	12	
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		2680	37180	
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		9	71	
400	Miscellaneous primary (direct) and facultative business	15				
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16		339	254	
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17	4	1640	2686	
700	Miscellaneous treaty reinsurance accepted business	18				
	Total (lines 4 to 18)	20	4	8484	42764	

General insurance business : Summary of business carried on

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year
			Reported	Incurred but not reported	
		1	2	3	4

R20A	Company registration number	GL/UK/CM	day month year			units
	1419	GL	31	12	2008	£000

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	815	249	
122	Private motor - non-comprehensive	26	1694	542	
123	Motor cycle	27			
160	Household and domestic all risks (equals line 6)	28	679	1397	
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	556	373	
223	Motor other	43			
261	Commercial property	44	72	12	
262	Consequential loss	45			
263	Contractors or engineering all risks	46			
271	Employers liability	47	1478	34983	
272	Professional indemnity	48			
273	Public and products liability	49	1202	2197	
274	Mixed commercial package	50			
281	Fidelity and contract guarantee	51			
282	Credit	52			
283	Suretyship	53			
284	Commercial contingency	54			

Primary (direct) and facultative aviation

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

General insurance business : Summary of business carried on

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2008
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year		
		1	Reported	Incurred but not reported			4
			2	3			

Primary (direct) and facultative marine and transport

341	Marine liability	64				
342	Marine hull	65				
343	Energy (on and off-shore)	66				
344	Protection and indemnity	67				
345	Freight demurrage and defence	68				
346	War risks	69				
347	Yacht	70				
350	Total primary (direct) and facultative goods in transit (equals line 14)	71		9		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		211		158
530	Non-proportional aviation	83				
540	Non-proportional marine	84				
550	Non-proportional transport	85				
560	Non-proportional property	86		29		22
570	Non-proportional liability (non-motor)	87		99		74
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	4	1571		2634
650	Proportional transport	95				
660	Proportional property	96		17		13
670	Proportional liability (non-motor)	97		45		34
680	Proportional financial lines	98		7		5
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	4	8484	42764	
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General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008****Total business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2008	£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				2849	8261	
	Claims management costs (22.14.4)		23				165	(674)	
	Adjustment for discounting (22.51.4)		24				(1928)	5267	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26				(36)		
	Balance (21-22-23+24+25-26)		29				(4906)	(2320)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				143	(917)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				143	(917)	
Balance of all years' underwriting (19+29+39)			49				(4763)	(3237)	
Allocated investment income			51				5169	3265	
Transfer to non-technical account (49+51)			59				406	28	

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

Global business

Financial year ended **31 December 2008****Total primary (direct) and facultative business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2008	£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				2849	8261	
	Claims management costs (22.14.4)		23				165	(674)	
	Adjustment for discounting (22.51.4)		24				(1928)	5267	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26				(36)		
	Balance (21-22-23+24+25-26)		29				(4906)	(2320)	
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				(4906)	(2320)	
Allocated investment income			51				4752	2976	
Transfer to non-technical account (49+51)			59				(154)	656	

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

Global business

Financial year ended **31 December 2008****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2008	£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				143	(917)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				143	(917)	
Balance of all years' underwriting (19+29+39)			49				143	(917)	
Allocated investment income			51				417	289	
Transfer to non-technical account (49+51)			59				560	(628)	

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

Global business

Financial year ended **31 December 2008****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2008	£000	120
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
Balance of year's underwriting (11-12-13+14-15+16-17)		19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22					(59)	
	Claims management costs (22.14.4)		23				4	8	
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26					4	
Balance (21-22-23+24+25-26)		29				(4)	47		
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			(4)	47		
Allocated investment income			51						
Transfer to non-technical account (49+51)			59			(4)	47		

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

Global business

Financial year ended **31 December 2008****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	2008	£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			2836		8067	
	Claims management costs (22.14.4)		23			19		22	
	Adjustment for discounting (22.51.4)		24			(1928)		5267	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26			2		58	
	Balance (21-22-23+24+25-26)		29			(4785)		(2880)	
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			(4785)		(2880)	
Allocated investment income			51			4663		2901	
Transfer to non-technical account (49+51)			59			(122)		21	

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

Global business

Financial year ended **31 December 2008****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	2008	£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				13	253	
	Claims management costs	(22.14.4)	23				142	(704)	
	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				(38)	(62)	
	Balance (21-22-23+24+25-26)		29				(117)	513	
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				(117)	513	
Allocated investment income			51				89	75	
Transfer to non-technical account (49+51)			59				(28)	588	

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

Global business

Financial year ended **31 December 2008****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2008	£000	500
Items to be shown net of reinsurance				This financial year 1				Previous year 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				131	(957)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				131	(957)	
Balance of all years' underwriting (19+29+39)			49				131	(957)	
Allocated investment income			51				402	280	
Transfer to non-technical account (49+51)			59				533	(677)	

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

Global business

Financial year ended **31 December 2008****Total proportional treaty reinsurance business accepted**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2008	£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				12	40	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				12	40	
Balance of all years' underwriting (19+29+39)			49				12	40	
Allocated investment income			51				15	9	
Transfer to non-technical account (49+51)			59				27	49	

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

Name of company

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2008

Total business

		Company registration number	GL/UK/CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2008	£000	001
				Amount brought forward from previous financial year	Amount payable/receivable in this financial year		Amount carried forward to next financial year	Amount attributable to this financial year	
				1	2		3	4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	46690		2888		46328	2526	
	Reinsurers' share	12	10538		1701		8514	(323)	
	Net (11-12)	13	36152		1187		37814	2849	
	Claims management costs	14			165			165	
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			(36)			(36)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(36)			(36)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	12793				10865	(1928)	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39	12793				10865	(1928)	
Split of line 29	Prior financial years	41			(36)			(36)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	12793				10865	(1928)	
	Incidents occurring in this financial year	52							

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

Name of company PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

Total primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2008	£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	46690	2888	46328	2526			
	Reinsurers' share	12	10538	1701	8514	(323)			
	Net (11-12)	13	36152	1187	37814	2849			
	Claims management costs	14		165		165			
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			(36)		(36)		
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(36)		(36)		
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	12793		10865	(1928)			
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39	12793		10865	(1928)			
Split of line 29	Prior financial years	41			(36)	(36)			
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	12793		10865	(1928)			
	Incidents occurring in this financial year	52							

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

Global business

Financial year ended **31 December 2008****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	2008	£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	4313		1694		4229	1610	
	Reinsurers' share	12	4313		1694		4229	1610	
	Net (11-12)	13							
	Claims management costs	14			4			4	
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 provisionsName of company **PEARL ASSURANCE PUBLIC LIMITED COMPANY**

Global business

Financial year ended **31 December 2008****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	2008	£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		39357			1388	39859	1890
	Reinsurers' share	12		3602			166	2490	(946)
	Net (11-12)	13		35755			1222	37369	2836
	Claims management costs	14					19		19
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					2		2
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29					2		2
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		12793				10865	(1928)
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39		12793				10865	(1928)
Split of line 29	Prior financial years	41					2		2
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		12793				10865	(1928)
	Incidents occurring in this financial year	52							

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

Global business

Financial year ended **31 December 2008****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	2008	£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		3020			(194)	2240	(974)
	Reinsurers' share	12		2623			(159)	1795	(987)
	Net (11-12)	13		397			(35)	445	13
	Claims management costs	14					142		142
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					(38)		(38)
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29					(38)		(38)
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					(38)		(38)
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended **31 December 2008**

Total business

Accident year ended	Company registration number		GL/UK/CM	day month year			Units	Category number						
	R23	1419		GL	31	12			2008	£000	001			
Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		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	Reported (net)	Included but not reported (net)	Reported (net)	Included but not reported (net)	Claims incurred (latest year) or developed during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
12	2008	11				5	6	7	8	9	10	11	12	13
12	2007	12												
12	2006	13												
12	2005	14										13		
12	2004	15										305		
12	2003	16										250		
12	2002	17										13485		
12	2001	18	8379	193								(5809)	(100.0)	(144.2)
12	2000	19	32776	29949	17039							96090	(43.1)	51.8
12	1999	20	30799	29998	14160							89868	(52.8)	50.0
Prior accident years		21			1187	1755	36059	2535	33617	2849	10865			
Reconciliation		22												
Total (11 to 22)		29			1187	1755	36059	2535	33617	2849	10865			

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2008

Total primary (direct) and facultative personal lines motor business

Accident year ended	Month	1	2	3	4	Claims outstanding forward		7	8	9	GL	day month year			Units	Category number		
						Reported (net)	Incurred but not reported (net)					31	12	2008			£000	
	Year																	
12	2008										10		11		12	13	120	
12	2007																	
12	2006																	
12	2005																	
12	2004											102						
12	2003											201						
12	2002											4427						
12	2001	1417										(13367)					(10.6)	
12	2000	9500	9672	4036								26296		(58.3)			51.5	
12	1999	10244	12074	5401								23545		(55.3)			66.4	
Prior accident years																		
Reconciliation																		
Total (11 to 22)																		

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

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

Total business

	Company registration number												GL/UK/CM	day month year			Units		Category number
	R24			1419			GL			31 12 2008				£000		001			
	MM	YY	MM YY	MM	YY	MM YY	MM	YY	MM YY	MM	YY	MM YY		MM	YY		Total all previous columns		
	29	29	12 99	12	00	12 01	12	02	12 03	12	04	12 05	12	06	12 07	12	08	99 99	
			11															4	
Premiums written			12															4	
			19																
Claims paid			21															273	
			22															256	
			29															17	
Claims management costs			39															145	
			41																
Net operating expenses			42																
			43															(70)	
			44																
			49															(70)	
			51															3577	
			52																
			53															3342	
			54																
			59															(235)	
Balance on each underwriting year (19-29-39-49-59)			69															143	

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

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

Global business

Financial year ended **31 December 2008**

Total non-proportional treaty reinsurance business accepted

	Company registration number												GL/ UK/ CM	day month year			Units	Category number										
	R25			1419			GL			31 12 2008				£000														
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		MM	YY	MM			YY									
Underwriting year ended	Prior underwriting years		29	29	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	99	99	500	Total all previous columns
Reported claims	11	339																										
Gross amount																												
Reinsurers' share	12																											
Claims incurred but not reported	13	254																										
Gross amount																												
Reinsurers' share	14																											
Claims management costs	15	2628																										
Gross amount																												
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	3221																										
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	3221																									3221	

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

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

Global business

Financial year ended **31 December 2008**

Total proportional treaty reinsurance business accepted

	Company registration number												GL/UK/ CMI			day month year			Units			Category number																							
	R25			1419			GL			2008			£000			600																													
	MM	YY	YY	MM	YY	YY	GL	MM	YY	MM	YY	YY	MM	YY	YY																														
Underwriting year ended	Prior underwriting years		29	29	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	29
Reported claims outstanding	11		1640																																										
Reinsurers' share	12		1571																																										
Gross amount	13		2685																																										
Reinsurers' share	14		2633																																										
Claims management costs	15																																												
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		121																																										
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		121																																										

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

Name of insurer

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended

31 December 2008

Company registration number	GL/ UK/ CM	day	month	year	Units
1419	GL	31	12	2008	£000

Major currencies	Reporting territory code	Total admissible assets as shown on Form 13	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	Expected income from assets included in column 2	Yield %	Technical provisions	Provision for outstanding claims being discounted		R30	1419	GL	Rates of interest at which the provision is being discounted			Average rate
							Before deduction for discounting	Deduction for discounting				Highest	Lowest	Units	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Sterling	AA	580520	24947	624	2.5	30216	35812	10865	532	2.5	2.5	2.5	2.5	2.5	2.5
Other currencies		1492				75									
Total		582012	24947			30291	35812	10865	532						

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Name of insurer

Global business

Financial year ended

31 December 2008

Company
registration
numberGL/
UK/
CM

day month year

Units

Type of asset	R30	1419	GL	day month year			£000
				31	12	2008	
		Value of admissible assets as shown on Form 13	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	Expected income from assets included in column 2			Yield %
		1	2	3			4
Land and buildings	31						
Fixed interest securities		105421	24913	623			2.5
		3421					
Variable interest and variable yield securities (excluding items shown at line 36)							
		19524					
Equity shares and holdings in collective investment schemes	36	98971					
Loans secured by mortgages	37						
All other assets		187725	34	1			2.9
		166950					
Total	49	582012	24947	624			2.5

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	178059	(2585148)
Investment income receivable before deduction of tax	12	651503	574637
Increase (decrease) in the value of non-linked assets brought into account	13	(547580)	5441
Increase (decrease) in the value of linked assets	14	(70)	(63)
Other income	15	4368	3536
Total income	19	286280	(2001597)

Expenditure

Claims incurred	21	852617	958274
Expenses payable	22	105621	99136
Interest payable before the deduction of tax	23	157358	12492
Taxation	24	(53171)	(28003)
Other expenditure	25	64218	79525
Transfer to (from) non technical account	26	(11072)	(11313)
Total expenditure	29	1115571	1110111

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(829291)	(3111708)
Fund brought forward	49	8290823	11402531
Fund carried forward (39+49)	59	7461532	8290823

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	128299	160467
Investment income receivable before deduction of tax	12	548376	430227
Increase (decrease) in the value of non-linked assets brought into account	13	(490375)	49012
Increase (decrease) in the value of linked assets	14	(70)	(63)
Other income	15	824	2086
Total income	19	187054	641729

Expenditure

Claims incurred	21	824758	941612
Expenses payable	22	69176	87223
Interest payable before the deduction of tax	23	152547	8173
Taxation	24	(40274)	(7046)
Other expenditure	25	1448	410
Transfer to (from) non technical account	26	13928	16133
Total expenditure	29	1021583	1046505

Business transfers - in	31		
Business transfers - out	32	145537	100859
Increase (decrease) in fund in financial year (19-29+31-32)	39	(980066)	(505635)
Fund brought forward	49	7810274	8315909
Fund carried forward (39+49)	59	6830208	7810274

Long-term insurance business : Revenue account

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY
Total business / subfund 0:100 BLAGAB
Financial year ended 31 December 2008
Units £000

Financial year	Previous year
1	2

Income

Earned premiums	11	18499	4530
Investment income receivable before deduction of tax	12	17377	16680
Increase (decrease) in the value of non-linked assets brought into account	13	(61272)	(4388)
Increase (decrease) in the value of linked assets	14		
Other income	15	165	174
Total income	19	(25231)	16996

Expenditure

Claims incurred	21	13584	12384
Expenses payable	22	4752	4976
Interest payable before the deduction of tax	23	732	2150
Taxation	24	(3400)	(14760)
Other expenditure	25		
Transfer to (from) non technical account	26	(2300)	
Total expenditure	29	13368	4750

Business transfers - in	31	1154	1174
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(37445)	13420
Fund brought forward	49	224680	211260
Fund carried forward (39+49)	59	187235	224680

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	31261	(2750145)
Investment income receivable before deduction of tax	12	85750	127730
Increase (decrease) in the value of non-linked assets brought into account	13	4067	(39183)
Increase (decrease) in the value of linked assets	14		
Other income	15	3379	1276
Total income	19	124457	(2660322)

Expenditure

Claims incurred	21	14275	4278
Expenses payable	22	31693	6937
Interest payable before the deduction of tax	23	4079	2169
Taxation	24	(9497)	(6197)
Other expenditure	25	62770	79115
Transfer to (from) non technical account	26	(22700)	(27446)
Total expenditure	29	80620	58856

Business transfers - in	31	144383	99685
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	188220	(2619493)
Fund brought forward	49	255869	2875362
Fund carried forward (39+49)	59	444089	255869

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	91952	58043		149995	180880
Single premiums	12	1730	30318		32048	(27351)

Reinsurance - external

Regular premiums	13	3773			3773	2738370
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	211			211	307
Single premiums	16					

Net of reinsurance

Regular premiums	17	87968	58043		146011	(2557797)
Single premiums	18	1730	30318		32048	(27351)

Total

Gross	19	93682	88361		182043	153529
Reinsurance	20	3984			3984	2738677
Net	21	89698	88361		178059	(2585148)

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	71584	56868		128452	169997
Single premiums	12	4	232		236	(9046)

Reinsurance - external

Regular premiums	13	178			178	177
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	211			211	307
Single premiums	16					

Net of reinsurance

Regular premiums	17	71195	56868		128063	169513
Single premiums	18	4	232		236	(9046)

Total

Gross	19	71588	57100		128688	160951
Reinsurance	20	389			389	484
Net	21	71199	57100		128299	160467

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	20368			20368	9426
Single premiums	12	1726			1726	(1247)

Reinsurance - external

Regular premiums	13	3595			3595	3649
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	16773			16773	5777
Single premiums	18	1726			1726	(1247)

Total

Gross	19	22094			22094	8179
Reinsurance	20	3595			3595	3649
Net	21	18499			18499	4530

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11		1175		1175	1457
Single premiums	12		30086		30086	(17058)

Reinsurance - external

Regular premiums	13					2734544
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		1175		1175	(2733087)
Single premiums	18		30086		30086	(17058)

Total

Gross	19		31261		31261	(15601)
Reinsurance	20					2734544
Net	21		31261		31261	(2750145)

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2008**
 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	74332	14591		88923	86417
Disability periodic payments	12	13			13	4
Surrender or partial surrender	13	202421	181948		384369	474328
Annuity payments	14	3446	237505		240951	235379
Lump sums on maturity	15	278402	82749		361151	388941
Total	16	558614	516793		1075407	1185069

Reinsurance - external

Death or disability lump sums	21	80			80	
Disability periodic payments	22	13			13	4
Surrender or partial surrender	23	1996			1996	1476
Annuity payments	24		219681		219681	224381
Lump sums on maturity	25					
Total	26	2089	219681		221770	225861

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33	918			918	844
Annuity payments	34					
Lump sums on maturity	35	102			102	90
Total	36	1020			1020	934

Net of reinsurance

Death or disability lump sums	41	74252	14591		88843	86417
Disability periodic payments	42					
Surrender or partial surrender	43	199507	181948		381455	472008
Annuity payments	44	3446	17824		21270	10998
Lump sums on maturity	45	278300	82749		361049	388851
Total	46	555505	297112		852617	958274

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2008**
 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	66372	13848		80220	78965
Disability periodic payments	12					
Surrender or partial surrender	13	199902	181859		381761	472049
Annuity payments	14		4475		4475	4452
Lump sums on maturity	15	276678	82655		359333	387222
Total	16	542952	282837		825789	942688

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23	11			11	142
Annuity payments	24					
Lump sums on maturity	25					
Total	26	11			11	142

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33	918			918	844
Annuity payments	34					
Lump sums on maturity	35	102			102	90
Total	36	1020			1020	934

Net of reinsurance

Death or disability lump sums	41	66372	13848		80220	78965
Disability periodic payments	42					
Surrender or partial surrender	43	198973	181859		380832	471063
Annuity payments	44		4475		4475	4452
Lump sums on maturity	45	276576	82655		359231	387132
Total	46	541921	282837		824758	941612

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2008**
 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	7960		7960	6849
Disability periodic payments	12	13		13	4
Surrender or partial surrender	13	2519		2519	1744
Annuity payments	14	3446		3446	3450
Lump sums on maturity	15	1724		1724	1675
Total	16	15662		15662	13722

Reinsurance - external

Death or disability lump sums	21	80		80	
Disability periodic payments	22	13		13	4
Surrender or partial surrender	23	1985		1985	1334
Annuity payments	24				
Lump sums on maturity	25				
Total	26	2078		2078	1338

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	7880		7880	6849
Disability periodic payments	42				
Surrender or partial surrender	43	534		534	410
Annuity payments	44	3446		3446	3450
Lump sums on maturity	45	1724		1724	1675
Total	46	13584		13584	12384

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2008**
 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		743		743	603
Disability periodic payments	12					
Surrender or partial surrender	13		89		89	535
Annuity payments	14		233030		233030	227477
Lump sums on maturity	15		94		94	44
Total	16		233956		233956	228659

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		219681		219681	224381
Lump sums on maturity	25					
Total	26		219681		219681	224381

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41		743		743	603
Disability periodic payments	42					
Surrender or partial surrender	43		89		89	535
Annuity payments	44		13349		13349	3096
Lump sums on maturity	45		94		94	44
Total	46		14275		14275	4278

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **Summary**
 Financial year ended **31 December 2008**
 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	30096	78537		108633	96125
Management - other	15	(934)	(2078)		(3012)	3011
Total	16	29162	76459		105621	99136

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	30096	78537		108633	96125
Management - other	45	(934)	(2078)		(3012)	3011
Total	46	29162	76459		105621	99136

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2008**
 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	25344	46844	72188	84212	
Management - other	15	(934)	(2078)	(3012)	3011	
Total	16	24410	44766	69176	87223	

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	25344	46844	72188	84212	
Management - other	45	(934)	(2078)	(3012)	3011	
Total	46	24410	44766	69176	87223	

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2008**
 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	4752		4752	4976
Management - other	15				
Total	16	4752		4752	4976

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	4752		4752	4976
Management - other	45				
Total	46	4752		4752	4976

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2008**
 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		31693	31693	6937
Management - other	15				
Total	16		31693	31693	6937

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		31693	31693	6937
Management - other	45				
Total	46		31693	31693	6937

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

Total business

Financial year ended **31 December 2008**Units **£000**

UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11				
Single premium business	12		1023	1023	
Total	13		1023	1023	

**Amount of new regular
premiums**

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

**Amount of new single
premiums**

Direct insurance business	25		23015	23015	208
External reinsurance	26				
Intra-group reinsurance	27		6958	6958	(22739)
Total	28		29973	29973	(22531)

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2008**
 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	629619	626544	16414	4.19	
Other fixed interest securities	13	485835	486808	12903	6.46	
Variable interest securities	14	523600	519682	3901	7.71	
UK listed equity shares	15	69186	59055	4479	7.62	
Non-UK listed equity shares	16	102258	114980	440	1.24	
Unlisted equity shares	17	717735	717376	337	0.05	
Other assets	18	1096238	1100026	12203	1.08	
Total	19	3624471	3624471	50677	3.20	

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

Land and buildings	21	54800	645792	13785	2.13	(26.53)
Approved fixed interest securities	22	1561172	1464100	46979	3.21	1.57
Other fixed interest securities	23	1194776	1212692	109128	9.00	(12.79)
Variable interest securities	24	3861906	3772036	227603	6.01	(12.79)
UK listed equity shares	25	926798	781639	59289	7.50	(28.68)
Non-UK listed equity shares	26	73823	191304	5125	1.62	(57.27)
Unlisted equity shares	27	942074	394000	6128	2.52	(5.46)
Other assets	28	3005477	3159263	44345	1.16	5.70
Total	29	11620826	11620826	512382	4.34	(8.27)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(18.83)
Return allocated to non taxable 'asset shares'	32					(18.53)
Return allocated to taxable 'asset shares'	33					(14.82)

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **0:100 BLAGAB**
 Financial year ended **31 December 2008**
 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	45590	45590	2178	3.80	
Other fixed interest securities	13	23825	23825	1374	6.11	
Variable interest securities	14	9679	9679	597	6.81	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	16744	16744	335	2.00	
Other assets	18	136637	136637	12067	8.83	
Total	19	232475	232475	16551	6.99	

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

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

Overall return on with-profits assets

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

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

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY
 Category of assets 0:100 PENSIONS
 Financial year ended 31 December 2008
 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	534576	534576	12748	4.27	
Other fixed interest securities	13	397106	397106	5601	6.12	
Variable interest securities	14	493305	493305	2296	7.76	
UK listed equity shares	15					
Non-UK listed equity shares	16	98564	98564			
Unlisted equity shares	17	700508	700508			
Other assets	18	953957	953957	5	0.00	
Total	19	3178016	3178016	20650	2.69	

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

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

Overall return on with-profits assets

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

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

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **90:10**
 Financial year ended **31 December 2008**
 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	49453	46378	1488	3.67	
Other fixed interest securities	13	64904	65877	5928	8.63	
Variable interest securities	14	20616	16698	1008	6.80	
UK listed equity shares	15	69186	59055	4479	7.62	
Non-UK listed equity shares	16	3694	16416	440	8.71	
Unlisted equity shares	17	483	124	2	5.10	
Other assets	18	5644	9432	131	1.16	
Total	19	213980	213980	13476	6.81	

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

Land and buildings	21	54800	645792	13785	2.13	(26.53)
Approved fixed interest securities	22	1561172	1464100	46979	3.21	1.57
Other fixed interest securities	23	1194776	1212692	109128	9.00	(12.79)
Variable interest securities	24	3861906	3772036	227603	6.01	(12.79)
UK listed equity shares	25	926798	781639	59289	7.50	(28.68)
Non-UK listed equity shares	26	73823	191304	5125	1.62	(57.27)
Unlisted equity shares	27	942074	394000	6128	2.52	(5.46)
Other assets	28	3037935	3191721	44345	1.16	5.64
Total	29	11653284	11653284	512382	4.34	(8.25)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(18.83)
Return allocated to non taxable 'asset shares'	32					(18.53)
Return allocated to taxable 'asset shares'	33					(14.82)

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	945947	14.36	3.68	3.68
Other approved fixed interest securities	21	1144697	10.71	3.39	3.05
Other fixed interest securities					
AAA/Aaa	31	166233	7.51	7.33	5.72
AA/Aa	32	282167	8.26	6.54	5.75
A/A	33	538072	7.24	7.50	6.54
BBB/Baa	34	302402	6.17	10.54	7.70
BB/Ba	35	90509	4.90	13.50	7.46
B/B	36	72276	5.35	18.59	6.27
CCC/Caa	37	10141	4.83	25.79	3.15
Other (including unrated)	38	237700	6.58	4.08	1.78
Total other fixed interest securities	39	1699500	6.94	8.29	5.88
Approved variable interest securities	41	983635	15.05	4.56	4.56
Other variable interest securities	51	3308083	2.50	6.07	5.06
Total (11+21+39+41+51)	61	8081862	7.51	5.69	4.72

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **0:100 PENSIONS**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	90383	17.90	3.81	3.81

Other approved fixed interest securities	21	444193	11.40	4.36	4.35
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Other fixed interest securities

AAA/Aaa	31	75968	8.92	5.80	5.28
AA/Aa	32	59845	9.77	6.75	5.76
A/A	33	157051	8.17	6.43	5.63
BBB/Baa	34	68562	5.94	8.01	6.78
BB/Ba	35				
B/B	36	1759	4.86	13.96	6.47
CCC/Caa	37				
Other (including unrated)	38	33921			
Total other fixed interest securities	39	397106	7.46	6.12	5.30

Approved variable interest securities	41	132954	9.76	4.01	4.01
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Other variable interest securities	51	360351	2.40	9.14	8.27
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Total (11+21+39+41+51)	61	1424987	8.29	5.99	5.54
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Category of assets **90:10**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	851152	14.04	3.67	3.67
Other approved fixed interest securities	21	659326	10.50	2.70	2.12
Other fixed interest securities					
AAA/Aaa	31	84632	6.44	8.78	6.09
AA/Aa	32	212995	7.95	6.55	5.87
A/A	33	373577	6.91	7.93	6.90
BBB/Baa	34	233840	6.24	11.28	7.97
BB/Ba	35	90509	4.90	13.50	7.46
B/B	36	70517	5.36	18.71	6.26
CCC/Caa	37	10141	4.83	25.79	3.15
Other (including unrated)	38	202358	7.73	4.78	2.08
Total other fixed interest securities	39	1278569	6.82	9.00	6.08
Approved variable interest securities	41	850681	15.88	4.65	4.65
Other variable interest securities	51	2938053	2.50	5.69	4.65
Total (11+21+39+41+51)	61	6577781	7.37	5.64	4.55

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Total business / subfund **Summary**Financial year ended **31 December 2008**

Units

£000

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

Gross

Form 51 - with-profits	11	1097847	1575209		2673056	3213511
Form 51 - non-profit	12	77784	3129484		3207269	3136489
Form 52	13	760053	3166644		3926697	4272807
Form 53 - linked	14	6894			6894	9722
Form 53 - non-linked	15	420	41593		42013	41464
Form 54 - linked	16	1226	65308		66534	76589
Form 54 - non-linked	17		234		234	484
Total	18	1944224	7978472		9922697	10751066

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	(7197)	2554911		2547714	2639276
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1226	65249		66476	76519
Form 54 - non-linked	27					
Total	28	(5971)	2620160		2614190	2715795

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	6894			6894	9722
Form 53 - non-linked	35	272			272	177
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	7166			7166	9899

Net of reinsurance

Form 51 - with-profits	41	1097847	1575209		2673056	3213511
Form 51 - non-profit	42	84981	574573		659555	497213
Form 52	43	760053	3166644		3926697	4272807
Form 53 - linked	44					
Form 53 - non-linked	45	148	41593		41741	41287
Form 54 - linked	46		59		58	70
Form 54 - non-linked	47		234		234	484
Total	48	1943029	5358312		7301341	8025372

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Total business / subfund **90:10**Financial year ended **31 December 2008**Units **£000**

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

Gross

Form 51 - with-profits	11	1097847	1575209		2673056	3213511
Form 51 - non-profit	12	30308	135653		165961	191050
Form 52	13	760053	3166644		3926697	4272807
Form 53 - linked	14	6894			6894	9722
Form 53 - non-linked	15	420	41593		42013	41464
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1895522	4919099		6814621	7728554

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	6894			6894	9722
Form 53 - non-linked	35	272			272	177
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	7166			7166	9899

Net of reinsurance

Form 51 - with-profits	41	1097847	1575209		2673056	3213511
Form 51 - non-profit	42	30308	135653		165961	191050
Form 52	43	760053	3166644		3926697	4272807
Form 53 - linked	44					
Form 53 - non-linked	45	148	41593		41741	41287
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1888356	4919099		6807455	7718655

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2008**
 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	47476		47476	53948
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16	1226		1226	1671
Form 54 - non-linked	17				
Total	18	48702		48702	55620

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(7197)		(7197)	(2879)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1226		1226	1671
Form 54 - non-linked	27				
Total	28	(5971)		(5971)	(1208)

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	54673		54673	56827
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	54673		54673	56827

Long-term insurance business : Summary of mathematical reserves

Name of insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY

Total business / subfund 0:100 PENSIONS

Financial year ended 31 December 2008

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		2993831	2993831	2891490
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		65308	65308	74918
Form 54 - non-linked	17		234	234	484
Total	18		3059373	3059373	2966892

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		2554911	2554911	2642155
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		65249	65249	74848
Form 54 - non-linked	27				
Total	28		2620160	2620160	2717003

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		438920	438920	249336
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		59	59	70
Form 54 - non-linked	47		234	234	484
Total	48		439213	439213	249890

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

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

Total business / subfund **90:10**

Financial year ended **31 December 2008**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	26797	118198	5065				33455
105	Conventional whole life with-profits IB	522437	240150	2757				175172
120	Conventional endowment with-profits OB savings	45207	272588	10824				192950
125	Conventional endowment with-profits OB target cash	49226	650036	20519				610142
130	Conventional endowment with-profits IB	24213	50404	2503				48673
155	Conventional pensions endowment with-profits	1770	43563	421				27811
165	Conventional deferred annuity with-profits	1	3					33
205	Miscellaneous conventional with-profits	190	7392	140				3611
210	Additional reserves with-profits OB							1000
215	Additional reserves with-profits IB							5000
300	Regular premium non-profit WL/EA OB	5164	13043					8587
310	Non-profit IB	709605	22663					21242
390	Deferred annuity non-profit	4	2					25
435	Miscellaneous non-profit	157	4159	26				454

Long-term insurance business: analysis of valuation interest rate

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

Subfund **90:10**

Financial year ended **31 December 2008**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100/120/125/300/435	701638	4.50	5.25	6.60
UKL WP code 105/130/215/310	250087	4.40	5.12	6.47
UKL WP code 125/515	163296	3.75	4.42	5.77
UKL WP code 155/300/390	15558	5.50	6.71	8.16
UKL WP code 155/300	12499	3.60	4.50	5.64
UKL WP code 500	150998	1.20	1.49	3.21
UKL WP code 506	149587	3.40	3.40	4.53
UKL WP code 500/505/515/575	451124	2.20	2.72	4.19
UKP WP code 155	666734	3.60	3.62	4.38
UKP WP code 155/165/210	843549	5.50	5.51	6.70
UKP WP code 200	67667	3.70	3.70	4.85
UKP WP code 525	335106	3.25	3.25	4.51
UKP WP code 535	78165	1.30	1.30	2.76
UKP WP code 525	2266015	3.65	3.69	4.84
UKP WP code 525	484949	3.80	3.80	4.62
UKP WP code 525	8420	3.80	3.81	4.95
UKP NP code 300/390	44296	3.60	3.62	4.37
UKP NP code 300/390	91357	5.50	5.50	6.69
Misc	41742	N/A	N/A	0.49
Total	6822787			

Long-term insurance business : Distribution of surplusName of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**Total business / subfund **Summary**Financial year ended **31 December 2008**Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	7461532	8290823
Bonus payments in anticipation of a surplus	12	119069	132666
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	7580601	8423489
Mathematical reserves	21	7301341	8025372
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	279260	398117

Composition of surplus

Balance brought forward	31	245180	190803
Transfer from non-technical account	32	11072	11313
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	23008	196001
Total	39	279260	398117

Distribution of surplus

Bonus paid in anticipation of a surplus	41	119069	132666
Cash bonuses	42		
Reversionary bonuses	43	15332	20270
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	134401	152936
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	134401	152936
Surplus carried forward	49	144859	245181
Total (48+49)	59	279260	398117

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **90:10**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	6830208	7810274
Bonus payments in anticipation of a surplus	12	119069	132666
Transfer to non-technical account	13	13928	16133
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6963205	7959073
Mathematical reserves	21	6807455	7718655
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	155750	240418

Composition of surplus

Balance brought forward	31	71349	37482
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	84401	202936
Total	39	155750	240418

Distribution of surplus

Bonus paid in anticipation of a surplus	41	119069	132666
Cash bonuses	42		
Reversionary bonuses	43	15332	20270
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	134401	152936
Net transfer out of fund / part of fund	47	13928	16133
Total distributed surplus (46+47)	48	148329	169069
Surplus carried forward	49	7421	71349
Total (48+49)	59	155750	240418

Percentage of distributed surplus allocated to policyholders

Current year	61	90.61	90.46
Current year - 1	62	90.46	75.11
Current year - 2	63	75.11	100.00
Current year - 3	64	100.00	100.00

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	11	187235	224680
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	187235	224680
Mathematical reserves	21	54673	56827
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	132562	167853

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	31	167852	148321
Transfer from non-technical account	32	2300	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(37590)	19532
Total	39	132562	167853

Distribution of surplus

		Financial year 1	Previous year 2
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	132562	167853
Total (48+49)	59	132562	167853

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2008**
 Units **£000**

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

Valuation result

Fund carried forward	11	444089	255869
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	444089	255869
Mathematical reserves	21	439213	249890
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	4876	5979

Composition of surplus

Balance brought forward	31	5979	5000
Transfer from non-technical account	32	22700	27446
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(23804)	(26467)
Total	39	4876	5979

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	4876	5979
Total (48+49)	59	4876	5979

Percentage of distributed surplus allocated to policyholders

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

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

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

Date of maturity value / open market option 01 March 2009

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	5635		N/A	CWP	N	5635
Endowment assurance	15	10074	154	N/A	CWP	N	10074
Endowment assurance	20	17839	435	N/A	CWP	N	17839
Endowment assurance	25	32304	4646	N/A	CWP	N	32304
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	27538		N/A	UWP	N	27538
Regular premium pension	15	39854		N/A	CWP	N	39854
Regular premium pension	20	63440	38	N/A	CWP	N	63663
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	12480		N/A	UWP	N	12480
Single premium pension	15	17616	2032	N/A	CWP	N	17671
Single premium pension	20	28457	3284	N/A	CWP	N	28545

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

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

Date of surrender value 01 March 2009

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	4528		N/A	CWP	N/A	13813
Endowment assurance	15	8172		N/A	CWP	N/A	17226
Endowment assurance	20	14792		N/A	CWP	N/A	22206
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	11958		N/A	UWP	N/A	11958
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	11490		N/A	UWP	N/A	12480

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

Global business

Financial year ended **31 December 2008**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%	5218970	5218970	15657	16481
Classes III, VII and VIII	15	0.3%	7789	0.50	12	10
Total	16		5226759	5218970	15669	16491

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	9864815	7315875	0.85	83851	91420
Classes III, VII and VIII (investment risk)	33	1%	65941	692	0.85	560	644
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	148	148	1.00	1	2
Classes III, VII and VIII (other)	35	25%				72	83
Class IV (other)	36	1%	(197)	(42)	0.85	(2)	42
Class V	37	1%					
Class VI	38	1%					
Total	39					84483	92191

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	9864815	7315875	0.85	251553	274260
Classes III, VII and VIII (investment risk)	43	3%	65941	692	0.85	1681	1933
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	148	148			
Classes III, VII and VIII (other)	45	0%	7166				
Class IV (other)	46	3%	(197)	(42)	0.85	(5)	125
Class V	47	0%					
Class VI	48	3%					
Total	49		9937873	7316673		253229	276318

Long term insurance capital requirement	51					353474	385093
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Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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. £3 million (2007: £26 million) in line 43 of Form 13 relates to the firm's investments in those assets.
- (c) The Financial Services Authority, on the application of the firm, made a direction in December 2007. The effect of the direction is to enable the firm to apply a business amount of 2% each for the asset exposure arising from the beneficial interest in The Henderson Retail Warehouse Fund; The Henderson UK Shopping Centre Fund; The Henderson Central London Office Fund; The Henderson Caspar Property Fund and The Henderson UK Shop Unit Fund and exclude them from the 10% aggregate test per INSPRU 2.1.22 (3) (e).
- (d) The Financial Services Authority, on the application of the firm, made a direction in December 2008 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to modify INSPRU 3.1.46R so that the risk adjusted yield assumed for the firm's with-profits business must be no more than the greater of (i) the forward gilts yield and (ii) the forward rate on sterling interest rate swaps as reduced by that part of the rate that represents compensation for credit risk.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

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

	2008 £'000	2007 £'000
Form 13 line 89 (total other than long term insurance business assets)	594,730	1,264,435
Form 13 line 89 (total long term insurance business assets)	15,310,753	12,697,436
Less Form 14 line 71	14,542,607	11,018,593
Less Form 15 line 69	319,248	959,843
Net admissible assets	<u>1,043,628</u>	<u>1,983,435</u>
Capital resources requirement of regulated related undertakings	305,012	220,696
Form 3 line 79 – Total capital resources	<u><u>1,348,640</u></u>	<u><u>2,204,131</u></u>

***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 (2007: £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.

	2008 £'000	2007 £'000
Positive valuation differences in respect of liabilities		
Premium withheld	-	9,721
Actuarial valuation differences		
- 90:10	431,953	1,204,027
	<u>431,953</u>	<u>1,213,748</u>
Negative valuation differences in respect of liabilities		
Deferred taxation	-	(32,550)
Corporation taxation	-	(4,716)
Provision for "reasonably foreseeable adverse variations"	(13,160)	-
Actuarial valuation differences		
- 0:100 Pensions	-	(15,000)
	<u>(13,160)</u>	<u>(52,266)</u>
Net valuation difference	<u><u>418,793</u></u>	<u><u>1,161,482</u></u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

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

	2008 £'000	2007 £'000
Form 3 line 12 at 1 January	815,468	819,446
Form 16 line 59	(294,124)	(104,951)
Capital contribution – see note 2007	24,700	56,514
Surplus arising in the year within the long term funds	(7,615)	31,442
Provision for “reasonably foreseeable adverse variations”	(1,704)	1,704
Transfer to the long term funds	11,072	11,313
Form 3 line 12 at 31 December	547,797	815,468

***1301* Unlisted and listed investments**

	2008 £'000	2007 £'000
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	15,055	-
Total	15,055	-

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.

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 2008, there was one breach of £12 million (2007: £13 million) in relation to the insurers investment in Ashmore Group Limited within the 90:10 category of assets.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

1306

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

There were no cases where the exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resource requirement and the long term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

1307

1313 **Fully secured rights**

- (a) The aggregate value of rights over collateral in respect of approved stock lending transactions is £nil (2007: £2,553 million). Refer to note 1311 and 1411.
- (b) The aggregate value of rights over collateral in respect of approved derivative transactions is £17 million (2007: £169 million). Refer to note 1311 and 1411.
- (c) On 4 May 2007 the Company entered into a reinsurance arrangement with Opal Reassurance 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

	2008	2007
	£'000	£'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	2,766,284	1,218,363
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	545,513	8
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	169,546	753,927
Total	<u>3,481,342</u>	<u>1,972,298</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.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

1311

1411

1511

1611

Collateral adjustment

Collateral received in respect of derivative contracts and stock lending contracts which is not legally separated from the insurer is recognised as an asset in Form 13 with a corresponding liability for its repayment in Form 14 and Form 15. In 2007 it was not recognised within Form 13, Form 14 and Form 15.

The table below identifies the amounts included within Form 13, Form 14 and Form 15 in 2008 and indicates the impact of recognising an asset and liability in 2007 for comparative purposes. There is a £187 million impact on net assets in 2008 which reduces the mathematical reserves in Form 14 line 11 by £86 million, and the excess of the value of net admissible assets in Form 14 line 51 by £101 million.

	2008 £'000	2007 £'000
Form 13 line 43 (total other than long term insurance business assets)	42,374	-
Form 13 line 43 (total long term insurance business assets)	466,840	-
Form 13 line 48 (total long term insurance business assets)	2,458,539	2,067,577
Form 13 line 54 (total long term insurance business assets)	388,671	484,893
Form 13 line 81 (total other than long term insurance business assets)	731	-
Form 13 line 81 (total long term insurance business assets)	108,053	166,487
Form 13 line 86 (total long term insurance business assets)	10,721	10,271
Form 14 line 11	85,878	-
Form 14 line 23	(542)	-
Form 14 line 38	(3,609,009)	(2,756,252)
Form 14 line 39	(9,872)	(8,892)
Form 14 line 51	100,721	35,916
Form 15 line 49	(42,945)	-
Form 16 line 11	(160)	-
	<u>-</u>	<u>-</u>

1318

Other asset adjustments

	2008 £'000	2007 £'000
Deferred taxation	(4,500)	-
Form 13 line 101 (total long term insurance business assets)	(4,500)	-
	<u>(9,000)</u>	<u>-</u>
Reclassification of other creditors	(19,318)	(15,263)
Rounding difference	-	1
Form 13 line 101 (total other than long term insurance business assets)	(19,318)	(15,262)
	<u>(19,318)</u>	<u>(15,262)</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

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

The assets of the insurer are valued on a mark to market basis. Where this is not possible, mark to model or director valuations are calculated on a prudent basis and incorporate all necessary valuation adjustments pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

£9.9 million of the total provision is in relation to stocklending where there is a difference in maturity profiles between collateral liabilities and the reinvested collateral assets. The provision is based upon the cost to borrow additional capital to cover potential liquidity shortfalls at libor +250bp.

£2.5 million of the total provision has been calculated on a group of assets which have a lock down period of greater than 1-2 years. There is no intention to realise these assets within the lock down period, however, in an adverse scenario the insurer could be exposed to liquidity strain as a result of the lock down. The provision is a prudent assessment of that strain and is calculated based on the estimated costs to finance it at libor +250bp.

£0.8 million of the total provision has been calculated on Hedge funds where redemption gates have been imposed, and which the insurer intends to redeem. The provision is a prudent assessment of the strain created by the imposition of the redemption gate and is calculated based on the estimated cost to finance 25% of the moneis outstanding greater than 1 year at libor +250bp.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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 £2,773 million (2007: £2,625 million) (see table below).

Assets which are subject to the charge (Form 13)	2008	2007
	£000	£000
Line 25 – Shares in non-insurance dependants	68,374	73,874
Line 26 – Loans to non-insurance dependants	119,500	-
Line 41 – Equity shares	799,073	316,281
Line 43 – Holdings in collective investment schemes	195,295	434,744
Line 44 – Rights under derivative contracts	412,207	77,953
Line 45 – Approved fixed interest securities	258,071	507,473
Line 46 – Other fixed interest securities	302,171	495,550
Line 47 – Approved variable interest securities	65,568	-
Line 48 – Other variable interest securities	360,727	552,054
Line 58 – Assets held to match index linked liabilities	65,314	74,277
Line 78 – Other due in 12 months or less	22	11,357
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	112,226	51,628
Line 84 – Accrued interest and rent	14,605	29,386
Line 86 – Other prepayments and accrued income	-	468
Total	2,773,153	2,625,045

(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 (2007: £54 million). In accordance with FRS 19, the discounted value of £nil (2007: £46 million) for this liability has been recognised.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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 £483 million (2007: £442 million). The provision included in the Peak 1 mathematical reserves for Phase 2 cases is £4 million (2007: £4 million).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £6 million (2007: £6 million).

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

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

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

***1405* Other liabilities adjustments**

	2008	2007
	£'000	£'000
Deferred taxation	(4,500)	(32,550)
Provision for "reasonably foreseeable adverse variations"	(13,160)	(3,012)
Premium withheld	-	9,721
Actuarial valuation differences		
- 0:100 Pensions	-	(15,000)
- 90:10	431,953	1,204,027
Form 14 line 74	<u>414,293</u>	<u>1,163,186</u>

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

No provision for reasonably foreseeable variations is required under INSPRU 3.2.17R to INSPRU 3.2.18R in the other than long term business (2007: £1.7 million). The other than long term business has no obligations to transfer assets or pay monetary amounts arising from either derivative contracts or quasi derivative contracts.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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 (2007: £nil).
- (c) The insurer has no forward commitments in respect of group undertakings (2007: £nil). The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (d) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

***1507* Other liabilities adjustments**

	2008 £'000	2007 £'000
Reclassification of other creditors	(19,318)	(15,263)
Provision for "reasonably foreseeable adverse variations"	-	(1,704)
Rounding difference	-	(1)
Form 15 line 83	<u>(19,318)</u>	<u>(16,968)</u>

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

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

***1602* Brought forward amounts**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

***1603* Other income and charges**

The total of other income and charges for 2008 is a charge of £21,545,000 (2007: £12,090,000), comprising:

	2008 £'000	2007 £'000
Provision for "reasonably foreseeable adverse variations"	1,704	(1,704)
Professional fees	(100)	(334)
Commission received	724	124
Commission paid	-	(171)
Churchill profit share agreement	-	4,001
Deferred consideration adjustment for GI rebrokering	-	(1,634)
Resolution plc interest charges	(22,819)	(14,638)
Other (charges)/income	(1,054)	2,266
Total other (charges)/income	<u>(21,545)</u>	<u>(12,090)</u>

***1701* Variation margin**

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received is included in line 54 of Form 13.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.2

***20Ae* Faculative reinsurance business**

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

***20Ag* Home foreign and overseas gross premiums**

None of the gross premiums reported in Form 20A relate to home foreign or overseas business.

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

During 2007 the insurer acquired a 20.13% interest in Resolution plc, being 138,205,822 ordinary shares to support the ultimate parent undertaking, Pearl Group Limited ("PGL") in the acquisition of Resolution plc.

During 2008 Impala Holdings Limited, a 75% subsidiary of PGL, completed its acquisition of Resolution plc. As a result the insurer sold its holding in Resolution plc to Impala Holdings Limited resulting in a £6.4 million net loss.

During 2008, the insurer made two interest bearing loans of £180 million and £31 million to PGL, repayable December 2013.

During 2008, the insurer received a £24.7 million capital contribution from PGL. This was immediately passed through to the insurers' subsidiary undertaking NP Life Holdings Limited, to enhance the financial strength of National Provident Life Limited.

***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. These are all reported on Treaty Non-Proportional Form 25.

***2204* Acquisition costs**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.2 (continued)

***2402* Underwriting year accounting**

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

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

***2404* Claims management expenses**

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

***2406* Acquisition costs**

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

***2501* Unearned premiums**

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

***3001* Yield**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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	2.50%	15.5 years
Public and Products Liability	273	2.50%	15.5 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 15.5 years (2007: 9.0 years) and the provision has been discounted at an interest rate of 2.5% (2007: 3.5%).

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.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.3

***4002* Other income and expenditure**

2008

The total of other income of £4,368,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Commission received	962	165	-	797
Management charge	2,772	-	2,772	-
Transfer of management charge	607	-	607	-
Rebates	27	-	-	27
	<u>4,368</u>	<u>165</u>	<u>3,379</u>	<u>824</u>

The total of other expenditure of £64,218,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Provision for future annuity claims ⁽¹⁾	62,770	-	62,770	-
Transfer of management charge	607	-	-	607
Cost of smoothing	838	-	-	838
Sundry expenditure	3	-	-	3
	<u>64,218</u>	<u>-</u>	<u>62,770</u>	<u>1,448</u>

⁽¹⁾ Other expenditure in line 25 of £63 million represents the change in provision for future annuity claims payable directly by the insurer under a reinsurance agreement with Opal Reassurance Limited ("Opal").

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.3 (continued)

4002 Other income and expenditure (continued)

2007

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

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

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

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

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

4004 Transfers of contracts

	2008 £'000	2007 £'000
Business transfers into Revenue account – 0:100 Blagab	1,154	1,174
Business transfers into Revenue account – 0:100 Pensions	144,383	99,685
Business transfers into Revenue account – Summary	<u>145,537</u>	<u>100,859</u>
Business transfers out of Revenue account – 90:10	<u>(145,537)</u>	<u>(100,859)</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.3 (continued)

***4006* Apportionments between long term insurance business funds/sub funds**

(a) Investment Income

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

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

(b) Increase in value of assets brought into account

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

(c) Expenses

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

(d) Taxation

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

***4008* Provision of management services**

Pearl Group Services Limited has provided management services to the insurer. Axial Investment Management Limited and Henderson Global Investors Limited have provided investment management 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 Axial 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 2008, a loan of £109 million and a total return swap of £10 million were provided from the insurers 0:100 Pension fund to support the funding for the purchase of Resolution plc within the Pearl Group.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.3 (continued)

4011 Prior period comparatives

Collateral received in respect of derivative contracts and stock lending contracts which is not legally separated from the insurer is recognised as an asset in Form 13 total long term insurance business assets with a corresponding liability for its repayment in Form 14 total long term insurance business liabilities. In 2007 it was not recognised within Form 13 total long term insurance business assets and Form 14 total long term insurance business liabilities.

The table below indicates the impact on Form 40 total long term insurance business: revenue account, had these changes been made to the 2007 figures. There is no impact on the fund carried forward for 2007 and no impact on the fund brought forward for 2008.

	2007 £'000
Form 40 line 12	124,530
Form 40 line 19	<u>124,530</u>
Form 40 line 23	<u>(124,530)</u>
Form 40 line 29	<u>(124,530)</u>

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.

The asset share philosophy for this portfolio at 31 December 2008 assumes an asset mix of:

Land and buildings	15.5%
Approved fixed interest securities	13.5%
Other fixed interest securities	14.6%
Variable interest securities	11.2%
UK listed equity shares	19.7%
Non-UK listed equity shares	9.4%
Unlisted equity shares	8.8%
Other assets	7.3%

4803 Assumptions regarding redemption dates

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 £420 million for the with-profit funds and £34 million for the non profit funds.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Appendix 9.3 (continued)

***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.

***4901* Credit rating agency**

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

***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.

***5702* Risk adjusted yield**

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

(b)

Product Group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using FSA waiver
UKP NP code 400	4.84	(0.04)	4.80
UKP NP code 400	4.84	(0.04)	4.80
UKP NP code 325/390/435	4.69	0.11	4.80
UKP NP code 905	4.69	0.11	4.80

Returns under the Accounts and Statements Rules
Statement of major treaty reinsurers required by rule 9.25
PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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					8,514
Swiss Re Frankona	Swiss Re Frankona Rueckversicherungs- Aktiengesellschaft Toerringstrasse 2-6 81675 Muenchen Germany	None					4,204
National Indemnity Company	3024 Hamey Street Omaha Nebraska 68131	None					-
European International Reinsurance Company	Chancery House High Street Bridgetown Barbados West Indies	None					-

Returns under the Accounts and Statements Rules

Statement of major facultative reinsurers required by rule 9.26

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

The insurer has no major facultative reinsurers

Returns under the Accounts and Statements Rules

Statement of major cedants required by rule 9.27

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

The insurer has no major cedants

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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

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

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

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

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

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

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

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

Contract Type	Exposure £'m	Weighted average % movement to strike	Number of Contracts
Bought Put	318.6	8.7%	29
Bought Call	161.3	51.0%	39
Sold Call	178.9	14.9%	41

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

- (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.
- (e) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £35.2 million.

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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

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

1. Pearl Group Limited

As at 31 December 2008, Pearl Group Limited owned 100% of the shares of Pearl Assurance Plc and was able to exercise 100% of the voting power at any general meeting.

2. Sun Capital Investments Limited

As at 31 December 2008, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

3. Hera Investments One Limited

As at 31 December 2008, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

4. Xercise Limited

As at 31 December 2008, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Jambright Limited

As at 31 December 2008, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30 (continued)

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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

As at 31 December 2008, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 81.2% of the ordinary shares of Xercise Limited and were able to exercise 81.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

7. TDR Capital Nominees Limited

As at 31 December 2008, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 91.7% of the ordinary shares of Jambright Limited and were able to exercise 91.7% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

8. TDR Capital LLP

As at 31 December 2008, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance Plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

The with-profits actuary throughout the year 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 2008.

1. a) K J Arnott held no shares or share options in 2008.
 - b) K J Arnott held a number of assurance and insurance policies and investment products issued by the insurer in the normal course of business, the transactions being of a minor nature.
 - c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2008 was £226,354.
 - d) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statement Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

Note 1

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31st December 2008.
- (2) The date to which the previous actuarial investigation under IPRU(INS) rule 9.4 related was 31st December 2007.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4).

Product range

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

Discretionary charges and benefits

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

Product	Policy Year of entry	Period applied
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Sep 2001 Jul 1999 to Jun 2002	Jan 2008 to Jun 2008 Jul 2008 to Dec 2008
Reinsurance Accepted Portfolio Bond 1b	Jan 2000 to Sep 2001 Jan 2000 to Mar 2002 Jan 2000 to Jun 2002	Jan 2008 to Jun 2008 Jul 2008 to Oct 2008 Nov 2008 to Dec 2008
Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Sep 2001 Jan 2000 to Mar 2002 Jan 2000 to Jun 2002	Jan 2008 to Jun 2008 Jul 2008 to Oct 2008 Nov 2008 to Dec 2008
Reinsurance Accepted Investment Bond	Oct 2000 to Sep 2001 Oct 2000 to Jun 2002	Jan 2008 to Jun 2008 Jul 2008 to Dec 2008
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Jun 2001 Oct 2000 to Sep 2001 Oct 2000 to Jun 2001 Oct 2000 to Mar 2002	Jan 2008 to Mar 2008 Apr 2008 to Jun 2008 Jul 2008 to Oct 2008 Nov 2008 to Dec 2008
Reinsurance Accepted Individual Pensions	Jan 2000 to Sep 2001 Jan 2000 to Jun 2002	Jan 2008 to Jun 2008 Jul 2008 to Dec 2008
Reinsurance Accepted Group Pensions	Jan 2000 to Sep 2001 Jan 2000 to Jun 2002	Jan 2008 to Jun 2008 Jul 2008 to Dec 2008
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Jun 2001 Jan 2001 to Sep 2001 Jan 2001 to Mar 2002	Jan 2008 to Mar 2008 Apr 2008 to Oct 2008 Nov 2008 to Dec 2008

Notes:

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 2008 in line with National Average Earnings, an increase of 3.6%.
- (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 2008:

Regular Premiums and Paid Up Policies	1.29% pa
Single Premiums	0.73% pa
DSS Recurrent Single Premiums	0.87% 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 £961m for regular premium and paid up policies, £338m for single premium policies and £924m 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. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.
- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

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

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

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

Equity (Collective Investment Scheme Holdings)	19.9%	18.9%	19.9%	18.9%
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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 2008 was 18.9%.

(9) See (8) above.

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

Valuation basis (other than for special reserves)

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

NON LINKED BUSINESS

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

For accumulating with-profit business, the mathematical reserves were determined using a gross premium method and are 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

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

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

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

Sub Fund	Product Group	2008	2007	Product Code
90:10	Conventional Life Business	4.5%	3.2%	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	4.4%	3.1%	105, 130, 310
90:10	Conventional General Annuity endowments	5.5%	4.00%	155, 300
90:10	Conventional Pensions deferred annuities	5.50%/2.99% ⁽¹⁾	3.50%/3.15% ⁽¹⁾	165, 390
90:10	Conventional Pensions endowments	5.50%	3.50%	155, 300
90:10	Reinsurance Accepted Immediate Annuities	3.70%	3.50%	200
90:10	Individual Pensions UWP - PP	3.65%	2.30%	525
90:10	Individual Pensions UWP	3.25%	2.20%	525
90:10	Unitised Accumulating With Profits – Life Business	2.20%	2.60%	500, 505, 515, 575
90:10	Reinsurance Accepted Bonds	1.20%	2.70%	500
90:10	Unitised Accumulating With Profits – ISA Business	3.40%	2.20%	506
90:10	Reinsurance Accepted Pensions Business	1.30%	3.60%	535
0:100 BLAGAB	Conventional General Annuity pre 1992	4.62%	4.97%	390, 395, 400
0:100 BLAGAB	Conventional Life Assurances	2.79%	3.22%	300, 325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances	4.44%	4.37%	325, 435
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	4.68%	4.78%	400
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	4.68%	4.78%	400
0:100 Pensions	Conventional Pensions	4.68%	4.78%	905

Immediate Annuities –
index linked (Direct and
Reinsurance Accepted from
other than NP Life)

0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities – index linked	4.68%	4.78%	905
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Note:

- Where two interest rates are shown they represent the interest rate in deferment and interest rate in payment.
- (3) For corporate bonds, 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 margin was calculated as a long-term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average. The individual stock risk margin was calculated by our investment managers in conjunction with the Asset Liability Management team.

The long term average default rates (in basis points) are:

Rating	5yr Bps	10yr Bps	20yr Bps
AAASSR	0	0	0
AAA	4.6	13.9	17.1
AA	19.7	35.5	49.4
A	31.2	44.8	59.4
BAA	88	109.1	121
BA	268.4	284.9	288.5
B	599.9	524.4	425.4
CAA	1,053.90	757.1	629.3

A number of different techniques are then employed to arrive at an additional haircut, namely;

- For bank subordinated debt, a higher risk was recognised by imposing a nil recovery rates on the above default rates.
- Stocks were then 'notched' downwards where our investment managers consider the credit rating to be inappropriate (after analysis of the current market spread and other factors).
- Finally, an additional haircut was applied to around 10% of stocks, which was based on a stock-by-stock analysis of abnormal default or coupon deferment risk. To avoid spurious precision, the addition applied was a doubling of the base haircut in most cases. In some cases, the adjustment was lower and in a few cases much higher, where a default had either effectively happened or was considered extremely likely.

For the Peak 1 basis, additional prudence will be applied to all but the "already defaulted" stocks by increasing the risk margin deduction by 25%.

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%.

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

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

Quoted UK and overseas equities:

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

Unquoted equities:

- Greater than 0.0%
- Equal to 0.0%

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

Sub Fund	Product Group	2008		2007		Product Code
		Male	Female	Male	Female	
90:10	Conventional Life Business	116% AMC00	116% AFC00	85% AM80	85% AF80	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
90:10	Conventional General Annuity endowments	79% AMC00	79% AFC00	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions deferred annuities (pre vesting basis)	79% AMC00	79% AFC00	65% AM80	65% AF80	165, 390
90:10	Conventional Pensions deferred annuities (post vesting basis)	102.5% RMV00 max(mclc,age related min improvement)C2025 ⁽²⁾	115% RFV00 max(mclc,age related min improvement)C2024 ⁽²⁾	97.5% RMV00 max(85% mclc,00s,1%) C2033 ⁽¹⁾	100% RFV00 max(85% mclc,00s,1%) C2036 ⁽¹⁾	165, 390
90:10	Conventional Pensions endowments with a variable retirement age	79% AMC00	79% AFC00	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions endowments – Other – Compound Bonus	79% AMC00	79% AFC00	65% AM80	65% AF80	155
90:10	Conventional Pensions endowments – Other – Simple Bonus	79% AMC00	79% AFC00	85% AM80	85% AF80	155, 300
90:10	Reinsurance Accepted Immediate Annuities	90% PMA00 max(mclc,age related min improvement) ⁽²⁾	85% PFA00 max(mclc,age related min improvement) ⁽²⁾	90% PMA00 max(mclc,age related min improvement) ⁽²⁾	85% PFA00 max(mclc,age related min improvement) ⁽²⁾	200
90:10	Individual Pensions UWP - PP	79% AMC00	79% AFC00	65% AM80	65% AF80	525
90:10	Unifised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
90:10	Unifised Accumulating With Profits – Other	79% AMC00	79% AFC00	65% AM80	65% AF80	500, 505, 506, 525, 575
90:10	Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
90:10	Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
90:10	Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

Sub Fund	Product Group	2008		2007		Product Code
		Male	Female	Male	Female	
0:100 BLAGAB	Conventional Life Assurances	85% AM80	85% AF80	85% AM80	85% AF80	300, 435
0:100 BLAGAB	Conventional General Annuity Immediate Annuities pre 1992	102.5% RMV92 max(mclc,age related min improvement) ⁽²⁾	115% RFV92 max(mclc,age related min improvement) ⁽²⁾	97.5% RMV92 max(85% mclc,age related min improvement) ⁽¹⁾	100% RFV92 max(85% mclc,age related min improvement) ⁽¹⁾	395, 400
0:100 BLAGAB	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
0:100 BLAGAB	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	102.5% RMV00 max(mclc,age related min improvement) ⁽²⁾	115% RFV00 max(mclc,age related min improvement) ⁽²⁾	97.5% RMV92 max(85% mclc,age related min improvement) ⁽¹⁾	100% RFV92 max(85% mclc,age related min improvement) ⁽¹⁾	400, 905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	107.5% RMV92 max(mclc,age related min improvement) ⁽²⁾	107.5% RFV92 max(mclc,age related min improvement) ⁽²⁾	107.5% RMV92 max(mclc,age related min improvement) ⁽²⁾	107.5% RFV92 max(mclc,age related min improvement) ⁽²⁾	400, 905
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	90% PMA00 max(mclc,age related min improvement) ⁽²⁾	85% PFA00 max(mclc,age related min improvement) ⁽²⁾	90% PMA00 max(mclc,age related min improvement) ⁽²⁾	85% PFA00 max(mclc,age related min improvement) ⁽²⁾	400, 905

Notes

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

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			25.2	23.9
90:10	Reinsurance Accepted Immediate Annuities	22.8	15.2		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	22.5	15.0		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	22.5	15.0		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	23.7	15.0		
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	24.0	15.0		

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			27.4	26.3
90:10	Reinsurance Accepted Immediate Annuities	25.1	16.7		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	25.2	15.8		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	25.2	15.8		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	26.2	16.9		
0:100 Pensions	Reinsurance Accepted from London Life Immediate Annuities	26.8	17.3		

(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	2008 £pa	2007 £pa	Tax Relief	Code
90:10	Conventional endowment with-profits OB savings	64.47	64.94	20%	120
90:10	Conventional endowment with-profits OB target cash	64.47	64.94	20%	125
90:10	Conventional pensions endowment with-profits	64.47	64.94	0%	155
90:10	Conventional deferred annuity with-profits	64.47	64.94	20%	165
0:100	Annuity non-profit (CPA)	44.72	53.51	20%	400
BLAGAB					
0:100	Annuity non-profit (CPA) Pre March 2018	24.73	46.61	0%	400
Pensions					
	Annuity non-profit (CPA) Post March 2018	42.70	46.61	0%	400
90:10	Life UWP single premium	58.02	58.45	20%	500
90:10	Life UWP endowment regular premium – target cash	64.47	64.94	20%	515
90:10	Individual pensions UWP	64.47	64.94	0%	525
90:10	Group money purchase pensions UWP	0.00	0.00	20%	535
90:10	Individual Pensions UWP - PP	64.47	64.94	20%	525

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	2008 Bp ⁽²⁾	2007 Bp ⁽²⁾
90:10	All business except inflation swap ⁽¹⁾	59.0	69.0
90:10	Inflation swap ⁽¹⁾	11.0	7.0
0:100 BLAGAB	All business	14.0	8.0
0:100 Pensions	All business	14.0	8.0

Notes:

1. Inflation swap held in respect of the Personal Pensions Guarantee Reserve
2. These rates are after allowing for VAT at 15.0%.

Inflation Rates

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

Sub fund		2008	2007
90:10	Expense inflation	2.2%	3.6%
0:100 BLAGAB	Expense inflation	2.2%	3.6%
0:100 Pensions	Expense inflation	3.1%	3.6%
90:10	Policy charge inflation	2.1%	3.7%
90:10	Expense inflation (Reinsurance Accepted Bonds)	3.6%	4.7%
90:10	Expense inflation (Reinsurance Accepted Immediate Annuities)	3.6%	4.7%

Future Bonus Rates

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

Persistency

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

Product ^{(1) (2) (3)}		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse	14.6%	6.0%	6.0%	6.0%
Decreasing term	Lapse	19.0%	13.0%	13.00%	13.0%
UWP bond	Surrender	nil	nil	nil	Nil
UWP bond	automatic withdrawals ⁽³⁾	1.5%	1.5%	1.5%	1.5%
Individual Pensions UWP	PUP	9.0%	9.0%	9.0%	9.0%
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	2008	2007
60	15%	15%
61	2%	2%
62	2%	2%
63	2%	2%
64	2%	2%
65	40%	40%
66	10%	10%
67	2%	2%
68	2%	2%
69	2%	2%
70	5%	5%
71	5%	5%
72	2%	2%
73	2%	2%
74	2%	2%
75	100%	100%

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

- (11) No allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.
- (12) **Effect on Mathematical reserves due to changes in INSPRU**
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	2008
Take up Rate	100%
Rate of interest	Min(Gilts,Libor), capped at 3.60%

Assumption	2008	
Mortality in payment	102.5% RMV00 average(mc,lc) with 3% sliding scale floor ⁽¹⁾ 115% RfV00 average(mc,lc) with 3% sliding scale floor ⁽¹⁾	
Expected annuity Guarantee periods	0 years	50%
	5 years	15%
	10 years	35%
Expected annuity Escalation rates	0% p.a.	70%
	3% p.a.	30%
	5% p.a.	0%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years	
Retirement Rates	As per 4(10) above	
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age:	
	Regular	1% pa
	Single	1% pa
	All other business	0% pa

Note:

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

(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	14,532	Gradual run-off, mean term of 15 years	12,107	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	813,253	Gradual run-off, mean term of 14 years	655,765	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	67,759	Gradual run-off, mean term of 9 years	67,759	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	55,737	Gradual run-off, mean term of 12 years	41,593	10%	No	See Note 4	60-75	725

Notes:

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

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

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

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

(4) Personal Pensions Guarantee Reserve

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

The following method is used to determine the mathematical reserves:

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

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

Assumption	2008
Real rate of interest	0.61% per annum
Future inflation	3.25% per annum
Salary increases above inflation, inclusive of allowance for future salary progression	1.85% per annum
Expenses loading for annuity in payment ⁽¹⁾	15.0%
Mortality in deferment	79% AMC/AFC00 ultimate
Mortality in payment	102.5% RMV00 max(100% mcl, 00s, 3%) 115% RFV00 max(100% mcl, 00s, 3%)
Percentage assumed married	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme

⁽¹⁾ annuities in payment are assumed to increase at the future inflation rate
The amount of business involved had a basic mathematical reserve of £77 million reserve with additional reserves of £488 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	2008
Rate of interest	3.75% 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 mathematical reserve of £374 million with additional reserves of £163 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	16	18	4	38
Other	0	24	33	6	64
Total	0	40	51	10	101

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

administration work which gives Pearl Assurance plc certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

However, a maintenance expense overrun reserve of £60m has been set up in the with-profits fund to cover the potential additional charges to be paid to Pearl Group Services Limited as provided in clause 13.6 of the MSA. This reserve includes a prudent margin of £17m.

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

- (6) The 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 the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	7,317	5,395
US Dollar		776
Euro		871
Other		274
Total	7,317	7,317

There is a premium withheld arrangement of £2,451m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £981m worth of assets in USD and £233m worth of assets in Euro.

Non sterling currency assets held to back the mathematical reserves are fully hedged back to sterling.

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

Other special reserves

8. A reserve of £73.6m has been made in pension non-profit fund to cover the counterparty risk with Opal Reassurance Limited.

INSPRU 1.2.80 requires a margin to be held against the risk of default by the reinsurer i.e. the risk that Opal will not be able to make its reinsurance payments due to insufficient assets. As Opal assets are equal to the best estimate liability, we are comfortable that they are able to meet the expected reinsurance payments based upon our best estimate view of future mortality. Peak 1 rules require us to show that we can meet payments under a more prudent view of future mortality; therefore we are holding an additional reserve that is equal to the difference between the best estimate future cashflows and the future cashflows calculated on a 7.5% statutory mortality margin.

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	Premium withheld	Closed to New Business?	Amount of any Un-discharged Obligation	Math-ematical Reserves Ceded	Retention by the Insurer
		£M	£M			£M	
Opal Reassurance Ltd	Liability to pay the Basic Annuity.	0	2,451	Yes	Nil	2,620	Nil

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

10. Reversionary (or annual) bonus

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2008 Basic Mathematical Reserve £'000	31.12.2008 Reversionary Bonus £ Per £14 weekly premium £	31.12.2007 Reversionary Bonus £ Per £14 weekly premium £	31.12.2008 Total guaranteed bonus £ Per £14 weekly premium £
Endowment policies	48,673	£0	£0	N/A
Whole Life policies	175,172	£0	£0	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2008	31.12.2008	31.12.2007	31.12.2008
	Basic Mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus
	£'000	%	%	%
Life regular premium	119,176	0%	0%	N/A
Pensions regular premium	133,322	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2008	31.12.2008	31.12.2007	31.12.2008
	Basic Mathematical Reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus
	£'000	%	%	%
Life regular premium and paid up policies	721,215	0%	0%	N/A
General annuity fund regular premium and paid up policies	27,051	0%	0%	N/A
Pensions regular premium and paid up policies	682,791	0%	0%	N/A
Pensions single premium	691,238	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP - PP

Bonus Series	31.12.2008	31.12.2008	31.12.2007	31.12.2008
	Basic Mathematical Reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus
	£'000	%	%	%
Regular premium	960,820	0%	0%	N/A
Single premium	337,829	0%	0%	N/A
Protected rights DSS recurring single premium	924,166	0%	0%	N/A

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

Bonus Series	31.12.2008	01.01.2008 - 09.01.2008	10.01.2008 - 07.05.2008	08.05.2008 - 21.08.2008	22.08.2008 - 31.12.2008	01.01.2008 - 31.12.2008
	Basic Mathematical Reserve £'000	Reversionary bonus %	Reversionary bonus %	Reversionary bonus %	Reversionary bonus %	Total guaranteed bonus %
Life policies issued in 1995	13,309	1.7%/0.94%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	N/A
Life policies issued after 1995	404,100	1.7%/0.94%	1.5%/0.83%	1.5%/0.83%	1.5%/0.83%	N/A
Pensions policies	326,000	4.3%/2.15%	4.0%/2.0%	2.2%/1.1%	2.2%/1.1%	N/A
ISA Bonus Account policies	147,119	3.8%/1.9%	3.5%/1.75%	1.0%/0.5%	1.0%/0.5%	N/A
Bonus Account policies	9,160	2.7%/1.35%	2.5%/1.25%	0.8%/0.4%	0.8%/0.4%	N/A

Ordinary Branch - Reinsured Accepted Business

31.12.2008	31.12.2008 Basic Mathematical Reserve £'000	31.12.2008 Reversionary bonus %	31.12.2007 Reversionary bonus %	31.12.2008 Total guaranteed bonus %
Portfolio Bond 1a	24,171	1.00%	1.00%	N/A
Portfolio Bond 1b	3,059	1.00%	1.00%	N/A
Portfolio Bond 2 ⁽¹⁾	6,741	1.00%	1.00%	See Note (1)
Investment Bond	62,417	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	50,924	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions ⁽²⁾	36,579	1.50%	1.50%	N/A
Group Pensions ⁽²⁾	20,934	1.50%	1.50%	N/A
Capital Account Pensions ⁽²⁾	18,405	3.25%	3.25%	N/A
Immediate Annuities Series 3	16,951	4.50%	4.50%	N/A
Immediate Annuities Series 4	37,041	4.50%	4.50%	N/A

Notes

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

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The date to which the investigation relates is 31 December 2008.
- (2) The date of the previous valuation is 31 December 2007.
- (3) For the purpose of rule 9.3A an interim valuation was carried out at 30 June 2008.

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 2008 (gilts + 10bp)

Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	1.22%	11	3.70%	21	4.31%	31	3.89%
2	1.87%	12	3.81%	22	4.26%	32	3.88%
3	2.31%	13	3.92%	23	4.20%	33	3.86%
4	2.63%	14	4.03%	24	4.13%	34	3.84%
5	2.87%	15	4.13%	25	4.08%	35	3.83%
6	3.06%	16	4.21%	26	4.03%	36	3.81%
7	3.22%	17	4.28%	27	3.99%	37	3.80%
8	3.35%	18	4.32%	28	3.96%	38	3.78%
9	3.47%	19	4.34%	29	3.93%	39	3.76%
10	3.58%	20	4.34%	30	3.91%	40	3.75%

Source: Barrie & Hibbert

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

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

Source: Tillinghast analysis of Bloomberg data

(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	301	86
Conventional With-Profits Ordinary Branch Life business	Retrospective – asset shares ¹	821	216
Conventional With-Profits Ordinary Branch Pensions business	Retrospective – asset shares ¹	613	637
Direct Unitised Accumulating With-Profits Personal Pensions business	Retrospective – asset shares	2,340	75
Direct Unitised Accumulating With-Profits business other than Personal Pensions	Retrospective – shadow fund	728	245
Reassurance Accepted Unitised Accumulating With-Profits business	Retrospective – shadow fund	205	21
Reassurance Accepted With-Profits Pension Annuity business	Retrospective – shadow fund	68 ²	0
Other business	Not applicable	0	901
Total		5,076	2,180

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

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

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

(3) Not applicable.

(4) Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

- (1)(a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 94.0% of the total with-profits benefit reserve.
- (b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 6.0% of the total with-profits benefit reserve.
- (c)(i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.
- (c)(ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2008 was 318,127. These contracts were grouped into a total of 3,413 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) Not applicable.
- (b) Not applicable.
- (3)(a) As maintenance expenses are defined in a Service Management Agreement, an expense investigation is not necessary.
- Expenses consist of:
- Defined per policy maintenance 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 2008 (£m)	
Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	43.9
Total expenses	43.9

¹ Service company charges, plus project and direct costs of £3.5m less payments of £1.0m received from an expense inflation hedge.

- (c)(iii) For product lines with the with-profit benefits reserve calculated using “retrospective – asset shares”, the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as annual management charges (per policy amounts up to 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 as shown in the table below.

Investment Expenses on assets in 2008

Asset pool / Fund	Bp
UK equity	31
Overseas equity	181
UK property	114
Cash	6
Gilts	16
Corporate bonds	23
Swaps	7

- (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 misselling), 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. These adjustments to asset shares are made on 1 January and 1 July each year, with the first such adjustments being made on 1 July 2008.

No charges were deducted from asset shares during 2008 in respect of costs of guarantees or the use of capital. No material charges were deducted from asset shares during 2008 in respect of the costs of smoothing.

For Conventional With-Profits Life and Pensions business and Direct Unitised Accumulating With-Profits Personal Pensions business, a charge of 0.10% per annum to reflect the cost of guarantees, was capitalised at June 2007 and charged to asset shares. No other charges were deducted from the with-profits benefits reserve during 2007 in respect of costs of guarantees or the use of capital.

- (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
2008	109%
2007	102%
2006	107%

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

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2008 was -18.46%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Not applicable.

(2) Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) Not applicable.

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

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

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

(b)(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2008 was 1,193,183 (comprising 662,897 pensions contracts and 530,286 life contracts). These contracts were grouped into a total of 12,957 model points (comprising 2,420 pensions and 10,537 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) Not applicable.

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

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

(a)(ii) The asset models assume that:

- Interest rates follow a 1-factor Hull-White process.
- Corporate bond spreads follow a mixture of Cox-Ingersoll-Ross processes.
- Equity and property returns follow a geometric Brownian motion (ie a Wiener process).

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.
- The two parameters that govern the evolution of the interest rate model are chosen so that, given this yield curve, the model replicates swaption prices that would be implied by the yield curve and market swaption volatilities.

The gilt curve with a +10bp adjustment is as supplied by Barrie & Hibbert.

The market swaption volatilities were derived from Bloomberg.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture of four rating portfolios: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

The calibration of the four credit spread processes is in two steps:

- The credit spread processes are calibrated to the credit spreads over the gilt curve with a +10bp adjustment.
- The volatilities for credit spreads are calibrated to the historical time series.

The calibration of the credit spread processes was focused on the most reliable and liquid sector of the spread curve with maturities between 4 and 15 years.

The following table shows the credit spreads over gilts + 10bp at 31 December 2008 in basis points:

Term	AAA	AA	A	BBB
4	78.08	154.21	277.27	368.09
5	79.78	166.91	289.71	375.51
7	77.83	183.66	294.4	382.92
8	80.49	191.27	297.69	381.88
9	76.36	189.91	295.68	378.59
10	65.21	188.51	285.43	365.45
15	49.25	176.72	269.23	351.64
20	39.62	176.37	271.4	342.19

The volatilities assumed are as follows:

AAA	12.50
AA	27.29
A	37.14
BBB	46.18

The volatilities assumed are derived from historical volatilities of the changes in 5-year credit spreads.

The correlations between the Wiener processes underlying the Cox-Ingersoll-Ross model are equated to the correlations between spreads.

The correlations assumed are as follows:

	AAA	AA	A	BBB
AAA	1			
AA	0.46	1		
A	0.56	0.74	1	
BBB	0.51	0.67	0.89	1

The correlations assumed are derived from an analysis of Bloomberg historical data.

Equity and Property

Three asset classes are modelled as equity-type processes: UK equity index, overseas equity index, and UK property index. These are modelled as geometric Brownian motions with stochastic drift, which is equated to the stochastic interest rate.

The volatilities assumed are as follows:

UK equity	0.35
Overseas equity	0.43
UK property	0.30

The correlations between the Wiener processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The correlations assumed are as follows:

	Interest rates	UK equity	Overseas equity	Property
Interest rates	1			
UK equity	-0.30	1		
Overseas equity	-0.16	0.50	1	
UK property	-0.10	0.20	0.08	1

The volatility and correlation assumptions are derived from Barrie & Hibbert best estimate assumptions.

(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 RBS run, with the exception that for credit, the AA-rated process is used, not the combined credit process used in RBS base.

Simulated values of specific options and / or contracts – 31 December 2008 (£)

	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)	2.87%	4.13%	4.08%	3.83%	X	X	X	X	X	X	X	X
1	Risk free zero coupon bond	867,944	544,945	368,398	268,530	X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	159,776	307,308	405,944	476,564	303,243	478,553	600,621	684,854	667,127	870,141	1,018,467	1,121,556
3	FTSE All Share Index (p=0.8)	149,474	254,241	308,907	341,840	285,958	398,944	460,403	494,297	634,224	731,826	791,767	820,211
4	Property (p=1)	125,299	273,247	367,706	442,324	259,653	440,576	557,335	640,054	625,037	826,958	967,512	1,063,959
5	Property (p=0.8)	116,225	221,785	274,481	314,598	242,849	362,569	420,155	459,037	591,109	690,725	745,045	771,252
6	15 year risk free zero coupon bonds (p=1)	5,113	8,217	12,044	23,379	74,678	86,295	92,379	122,728	502,011	503,232	505,236	518,920
7	15 year risk free zero coupon bonds (p=0.8)	3,782	1,944	1,525	2,349	60,705	37,275	24,517	28,085	461,193	341,585	256,994	227,483
8	15 year corporate bonds (p=1)	5,301	9,431	14,081	26,354	75,513	89,389	98,154	129,510	502,515	506,336	512,076	526,405
9	15 year corporate bonds (p=0.8)	4,017	2,433	1,870	4,148	61,553	39,783	27,301	31,492	461,685	345,035	263,860	234,424
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	102,576	225,781	314,801	382,481	233,361	386,358	491,901	572,209	605,627	764,672	890,319	984,918
11	Portfolio of 65% FTSE All Share and 35% property (p = 0.8)	94,097	178,925	229,102	262,363	216,559	310,637	363,574	398,369	571,351	629,818	671,734	698,162
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 1)	82,288	182,987	256,490	316,253	210,198	332,454	423,733	492,025	578,910	702,819	813,237	890,488
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 0.8)	74,130	140,691	178,719	208,906	193,654	261,556	301,794	330,903	544,534	569,771	597,865	611,464
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)	40,655	105,993	159,019	209,524	149,473	237,133	307,047	362,788	534,232	605,821	681,336	741,716

Simulated values of specific options and / or contracts – 31 December 2008 (£)

	Asset type (all UK assets)	K=0.75	K=1	K=1.5
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p = 0.8)	34,941 73,006 96,307 120,361	133,836 172,572 197,265 221,875	497,463 469,524 469,634 473,219
		L=15	L=20	L=25
16	Receiver swaptions	7.08% 10.26% 9.42% 6.62%	10.35% 12.82% 11.36% 7.74%	13.19% 15.07% 12.81% 8.48%

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

Outstanding term of significant guarantees (years)

Product Class	GAO / GMP on maturity	Guarantees on maturity	Guarantees on surrender	Mortgage Endowment Promise
Conventional With-profits Life business	N/A	4	N/A	7
Conventional With-profits Pension business	11	11	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	2	N/A	N/A
Direct Unitised Accumulating With-profits Personal Pensions business	N/A	14	N/A	N/A
Direct Unitised Accumulating With-profits business other than Personal Pensions	N/A	16	6	9
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

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

Ratio of simulated to pseudo swaption prices ⁽¹⁾			
Option Maturity	Swap Length		
	10 years	15 years	20 years
5 years	94%	103%	102%
7 years	96%	102%	98%
10 years	103%	100%	97%
15 years	105%	105%	104%

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

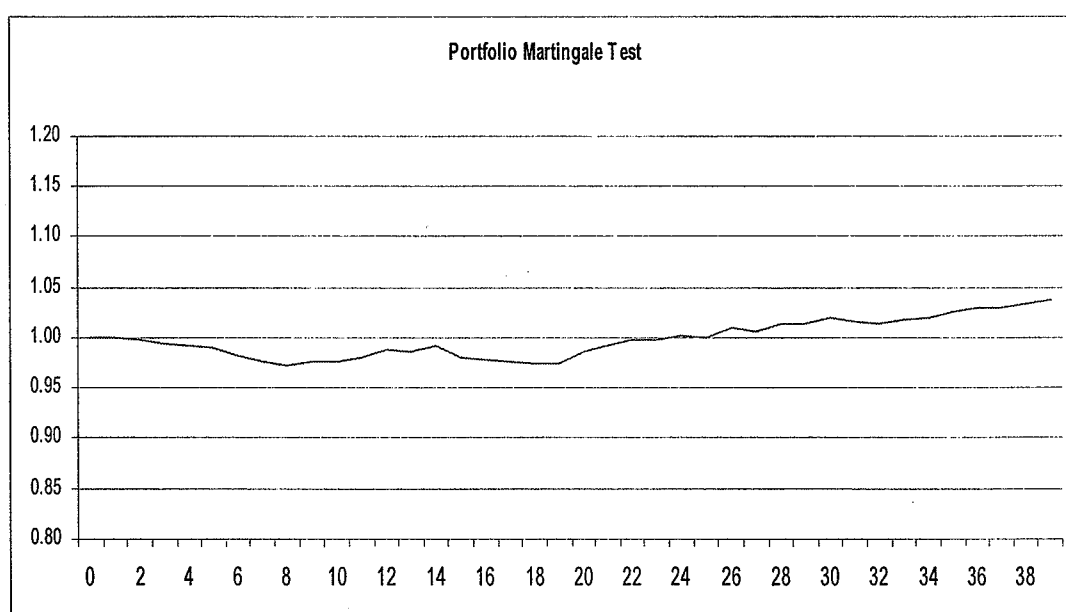
This table demonstrates that the scenarios can be used to reproduce market prices. The observed errors are small, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

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

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

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

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



The results shown above are better than might be expected from a naïve simulation given the number of scenarios used and the volatilities involved.

The 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 table below shows the percentage difference between the value of a swaption in the calibrated model and the value from the market swaption price deduced from the swaption volatility.

Percentage differences between market swaption prices and calibrated Hull-White model prices

		Swap Length								
		5	6	7	8	9	10	15	20	25
Option Maturity	1	-21.8	-21.0	-20.8	-22.3	-23.4	-25.2	-33.9	-41.1	-42.6
	2	-5.1	-5.4	-6.3	-7.8	-8.9	-10.0	-19.3	-24.8	-26.2
	3	2.7	1.8	1.1	-0.2	-0.9	-2.5	-11.6	-14.7	-16.3
	4	9.7	7.5	6.4	5.3	3.7	2.4	-7.8	-7.9	-9.3
	5	13.6	11.2	10.2	8.7	6.8	4.6	-4.3	-4.0	-5.6
	7	19.5	15.6	12.9	10.0	6.9	3.8	-1.8	2.1	1.2
	10	20.9	15.1	8.6	4.9	2.0	-0.6	1.3	4.7	5.0
	15	-5.4	-5.6	-4.7	-4.3	-4.2	-4.7	-4.5	-4.0	-2.0
	20	21.3	18.6	14.8	12.7	9.2	6.3	-0.2	1.1	6.3

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 table below shows the simulated risk-free bond prices (as the averages of discount factors) in the set of 1000 scenarios as the percentages of the original risk-free bond prices, implied by the zero-coupon yield curve. The ratio of simulated to market price can be seen to be very close to unity.

Ratios of simulated risk-free bond prices to the market prices, 1000 scenarios							
year	ratio	year	ratio	year	ratio	year	ratio
1	1.0000	11	1.0004	21	0.9995	31	1.0004
2	1.0000	12	1.0005	22	0.9995	32	1.0004
3	1.0000	13	1.0005	23	0.9994	33	1.0004
4	1.0000	14	1.0005	24	0.9994	34	1.0002
5	1.0000	15	1.0003	25	0.9995	35	1.0000
6	1.0001	16	1.0001	26	0.9997	36	0.9998
7	1.0002	17	0.9999	27	0.9999	37	0.9995
8	1.0003	18	0.9997	28	1.0001	38	0.9992
9	1.0004	19	0.9996	29	1.0002	39	0.9999
10	1.0005	20	0.9995	30	1.0003	40	0.9987

The next step is to compare the simulated swaption prices to check if the volatilities are represented adequately. The table below shows the percentage differences between the simulated ATM swaption prices, and the theoretical ones.

Percentage differences between simulated ATM swaption prices (1000 scenarios) and calibrated Hull-White model prices

		Swap Length								
		5	6	7	8	9	10	15	20	25
Option Maturity	1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0
	2	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8
	3	-2.5	-2.5	-2.4	-2.4	-2.3	-2.3	-2.1	-2.0	-1.9
	4	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9
	5	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.7	-1.7	-1.7
	7	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.2	0.3	0.3
	10	2.3	2.2	2.2	2.1	2.1	2.0	1.8	1.6	1.5
	15	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.0
	20	-1.0	-1.0	-1.1	-1.2	-1.2	-1.3	-1.5	-1.6	-1.7

The percentage differences between simulated and theoretical prices show very good fit.

Corporate bond spreads

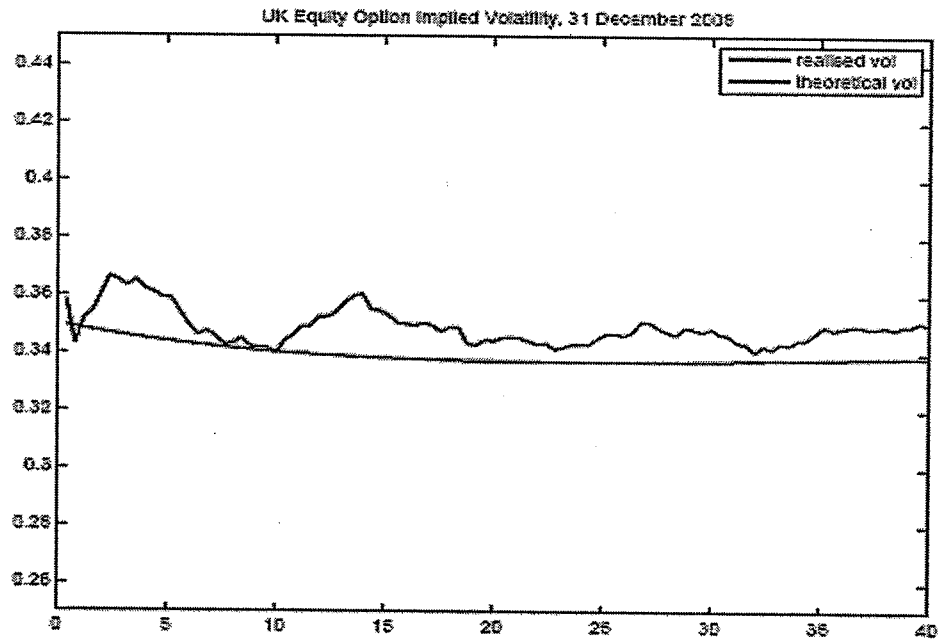
For the AAA, AA, A and BBB rating portfolios the credit spread market "price" has been compared with the fitted Cox-Ingersoll-Ross model and with the mean of the 1,000 scenario simulation. The credit spread "price" is the ratio of the corporate bond price to the gilt price.

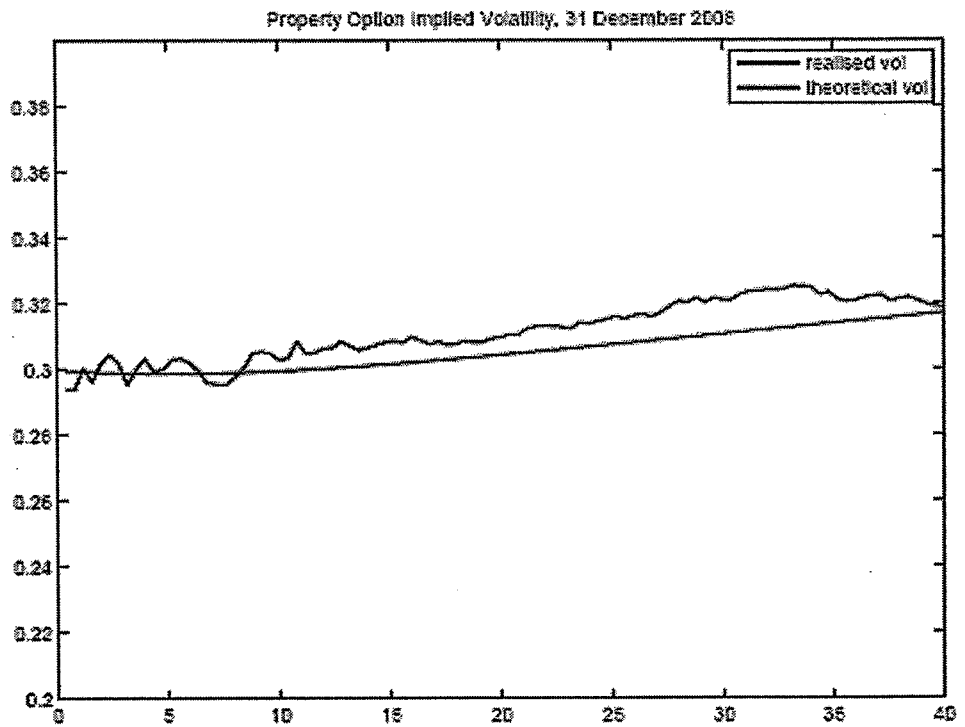
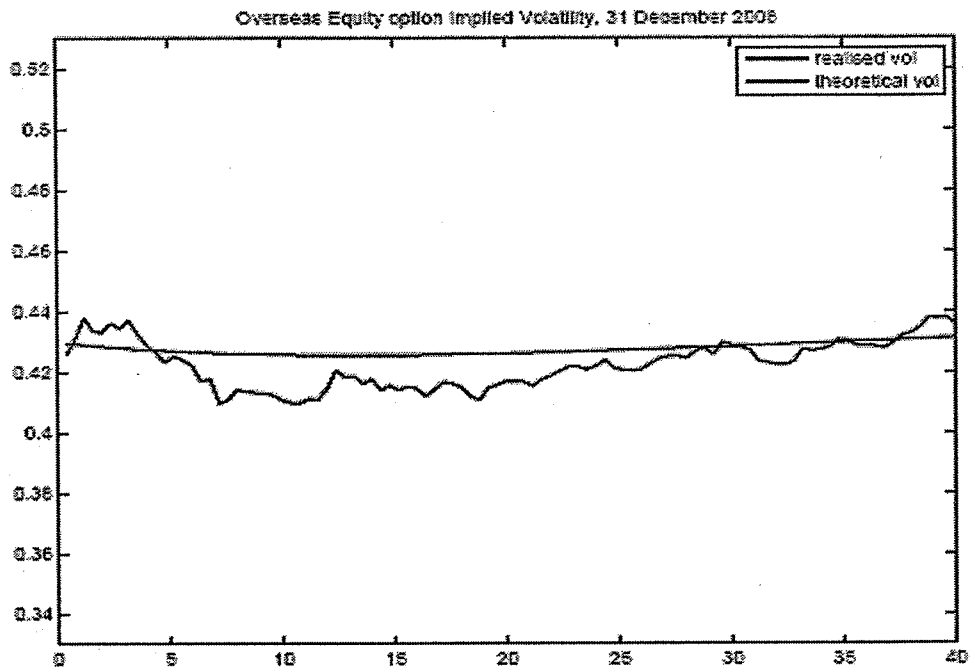
Given the accuracy of the credit spread data to calibrate to, these comparisons show that the Cox-Ingersoll-Ross model provides a satisfactory fit.

Equity and Property

The equity and property volatilities have not been calibrated to market data. Therefore 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 (red) line shows the volatility implied by the theoretical put option price calculated from the model. The irregular (blue) line shows 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.

- (b) Not applicable.
- (c) Not applicable.
- (5) (a) The following management actions are assumed when determining the realistic balance sheet:
- The asset mix of the with-profits fund is moved to the intended long-term asset mix, by 31 December 2010.
 - Final bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
 - Annual bonus rates are set depending on economic conditions
 - If the working capital burns-through the assets in the Pacific fund in either the base or the risk capital margin scenario, the assets of the with-profits fund are moved into gilts and cash. This management action was not required at 31 December 2008.
 - 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 2008	29.2%	29.2%
(i) Risk free interest rate curve - End 5 years	33.2%	33.2%
(i) Risk free interest rate curve - End 10 years	28.4%	28.4%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2008	29.2%	29.2%
(ii) Risk free interest rate curve + 17.5% - End 5 years	33.2%	33.2%
(ii) Risk free interest rate curve + 17.5% - End 10 years	28.4%	28.4%

Projected Equity Proportions – Scenarios (i), (ii) and (iii)

	Equity Proportion	
	Accumulating with-profits	Conventional with- profits
(iii) Risk free interest rate curve – 17.5% - At 31 December 2008	29.2%	29.2%
(iii) Risk free interest rate curve – 17.5% - End 5 years	33.2%	33.2%
(iii) Risk free interest rate curve – 17.5% - End 10 years	28.4%	28.4%

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

	Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾				Direct Unitised Accumulating With-profits Personal Pensions business	Reassurance Accepted Unitised Accumulating With-profits business	Reassurance Accepted Unitised Accumulating With-profits business	Reassurance Accepted Unitised Accumulating with-profits business
	Life (%)	Pensions (%)	Bonus Account (%)	ISA (%)	(%)	Life (%)	Pensions (%)	Capital Account (%)
(i) Risk free interest rate curve - At 31 December 2008	2.0 / 1.0	2.0 / 1.0	1.0 / 0.0	1.0 / 0.0	0.0	1.0	1.5	3.25
(ii) Risk free interest rate curve - End 5 years	2.0 / 1.0	3.0 / 1.0	1.0 / 1.0	1.0 / 1.0	0.3	1.0	1.5	3.25
(iii) Risk free interest rate curve - End 10 years	3.0 / 1.0	3.0 / 2.0	1.0 / 1.0	2.0 / 1.0	0.6	1.0	1.5	3.25
(i) Risk free interest rate curve +17.5% - At 31 December 2008	2.0 / 1.0	2.0 / 1.0	1.0 / 0.0	1.0 / 0.0	0.0	1.0	1.5	3.25
(ii) Risk free interest rate curve +17.5% - End 5 years	2.0 / 1.0	3.0 / 1.0	1.0 / 1.0	1.0 / 1.0	0.2	1.0	1.5	3.25
(iii) Risk free interest rate curve +17.5% - End 10 years	3.0 / 2.0	4.0 / 2.0	2.0 / 1.0	2.0 / 1.0	0.4	1.0	1.5	3.25
(i) Risk free interest rate curve -17.5% - At 31 December 2008	2.0 / 1.0	2.0 / 1.0	1.0 / 0.0	1.0 / 0.0	0.0	1.0	1.5	3.25
(ii) Risk free interest rate curve -17.5% - End 5 years	2.0 / 1.0	2.0 / 1.0	1.0 / 0.0	1.0 / 1.0	0.1	1.0	1.5	3.25
(iii) Risk free interest rate curve -17.5% - End 10 years	2.0 / 1.0	3.0 / 1.0	1.0 / 1.0	1.0 / 1.0	0.3	1.0	1.5	3.25

⁽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			
		1-5	6-10	11-15	16-20
Conventional With-profits Life business regular premium	PUP	0.5	0.5	0.5	0.5
Conventional With-profits Life business regular premium	lapse	4.5	4.5	4.5	4.5
Conventional With-profits Life business single premium	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business regular premium	PUP	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business regular premium (Note 1)	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business single premium	lapse	2.0	2.0	2.0	2.0
Conventional With-profits Industrial Branch business regular premium	PUP	0.0	0.0	0.0	0.0
Conventional With-profits Industrial Branch business regular premium	lapse	0.0	0.0	0.0	0.0
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	4.0	4.0	4.0	4.0
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	5.0	5.0	5.0	5.0
Direct Unitised With-profits Life business single premium (Note 2)	lapse	18.0	25.0	25.0	25.0
Direct Unitised With-profits Pensions business other than Personal Pensions regular premium	PUP	6.0	6.0	6.0	6.0
Direct Unitised With-profits Pensions business other than Personal Pensions regular premium	lapse	3.0	3.0	3.0	3.0
Direct Unitised With-profits Pensions business other than Personal Pensions single premium	lapse	3.0	3.0	3.0	3.0
Direct Unitised With-profits business ISA and Bonus Account	PUP	3.0	3.0	3.0	3.0
Direct Unitised With-profits business ISA and Bonus Account	lapse	10.0	25.0	25.0	25.0
Reassurance Accepted Unitised Accumulating with-profits Life Business	lapse	Note (3)	Note (3)	23.5	23.5
Reassurance Accepted with-profits Pensions business - Personal Pension Plan	lapse	14.0	14.0	14.0	14.0
Reassurance Accepted with-profits Pensions business - Flexible Income Plan	lapse	25.0	25.0	25.0	25.0

- (1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.
- (2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.
- (3) Lapse rates in years 1-5 of 2%, 5%, 8%, 10% and 20% per annum respectively. Lapse rates in year 6 of 25% per annum and 23.5% per annum thereafter.

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

Annuitant Mortality Assumptions

	Projection Basis	
	Male	Female
Conventional With-profits Pensions business	88% AMC00 Ultimate	88% AFC00 Ultimate
Annuity Rate Guarantee – post vesting ⁽¹⁾	112.5% RMV00 projected	125% RFV00 projected

⁽¹⁾ with mortality improvements as Maximum of 100% of the average of (Medium and Long cohort) improvements with a floor of 3% if aged 60 or less reducing linearly down to 0% aged 110

Annuity Rate Guarantee Take-up rate Assumptions

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

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

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

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

Other Long-Term Insurance Liabilities at 31 December 2008 (£m)

Liability	Value
Pensions misselling	353
Other misselling provisions	0
Value of future profits from direct unitised accumulating with-profits business	(19)
Value of future shareholder transfers from direct unitised accumulating with-profits business	25
Investment return tax and investment expenses	38
Value of investment fees	13
Value of future tax charges levied	52
Additional liability for expenses	(13)
Other additional liabilities	61
Total	511

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 £4,422m and the following table gives a breakdown at 31 December 2008.

Current liabilities at 31 December 2008 (£m)

Liability	Value
Outstanding claims	56
Other provisions	19
Creditors	4,335
Accruals and deferred income	11
Deferred tax liability	1
Total Realistic Current liabilities	4,422
Provision for "reasonably foreseeable adverse variations"	13
Total Regulatory Current Liabilities	4,435

10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2008 was zero.

The most onerous scenario is that which combines:

- (i) 20% fall in equity values; 12.5% fall in property values.
 - (ii) 17.5% fall in yield curve (UK assets), equivalent to a 0.66% nominal change in the long term gilt yield from 3.74% to 3.09%. US bond yields are reduced by 0.54%. Eurozone bond yields are reduced by 0.64%.
 - (iii) The average change in spreads for bonds was +255 basis points (weighted by value), resulting in a 6.9% fall in bond asset value. The fall in market value for swaps and swaptions was 4.3%.
 - (iv) The persistency risk scenario resulted in a 0.83% 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 £1,293m 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 0.9%.
- A portfolio of credit default swaps with nominal exposure of £511m which Pearl receives in the event of a credit default in exchange for paying fixed rate coupons. The average term to expiry is 4 years and the average rate of the fixed coupons is 1.7%.
- A portfolio of purchased swaptions with notional amounts totalling £603m. The options have maturity dates spread over the next 11 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 £703m. The options have maturity dates spread over the next 22 years. The underlying swaps entitle Pearl to receive the floating rate in exchange for the strike rate over a term of 20 years. The average strike rate was 8.2%.
- A portfolio of interest rate swaps with notional amounts totalling £2,504m in which Pearl pays floating rate coupons and receives fixed rate coupons. The average term to expiry is 20 years and the average rate of the fixed coupons is 4.7%.
- A portfolio of interest rate swaps with notional amounts totalling £1,137m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to expiry is 15 years and the average rate of the fixed coupons is 5.0%.
- A portfolio of overseas interest rate swaps with notional amounts totalling £594m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to expiry is 5 years and the average rate of the fixed coupons is 4.9%.
- A portfolio of RPI linked swaps with notional amounts totalling £306m in which Pearl pays RPI linked coupons and receives fixed rate coupons. The average term to expiry is 13 years and the average rate of the fixed coupons is 1.5%.
- A portfolio of RPI linked swaps with notional amounts totalling £275m in which Pearl pays fixed rate coupons and receives RPI linked coupons. The average term to expiry is 7 years and the average rate of the fixed coupons is 3.0%.
- A portfolio of UK gilt and bond futures with long positions totalling £26m.
- A portfolio of UK equity futures with short positions totalling (£208m).

13. Analysis of Working Capital

Analysis of Movement in Working Capital (£m)

With-Profits Fund Working Capital at 31 December 2007	0
Undo zeroisation to Opening Working Capital	748
Opening Adjustments	96
Investment return on opening Working Capital	105
Economic assumption changes	228
Non economic assumption changes	21
Economic variances	(254)
Non economic variance	125
Guarantee and smoothing charges	(11)
Changes in other liabilities of lines 47 and 51 of Form 19	(223)
Planned Enhancements	(835)
Reported Working Capital at 31 December 2008	0

14. Optional Disclosure

Not applicable.

Returns under the Accounts and Statements Rules

Statement required under rule 9.32

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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

Reporting category	Non- facultative reinsurance £'000
640 Proportional Marine	4

All premiums ceded relate to non facultative reinsurance.

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 PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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

The determination of whether a contract of insurance meets one or both of the conditions in 9.32A (2) is arrived at after taking appropriate internal and external advice regarding the 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

Certificate required by rule 9.34(1)

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

We certify that: -

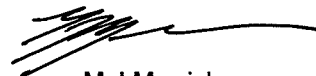
1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) the directors are satisfied that, save as disclosed in note 1 to the directors' certificate:
 - (i) throughout the financial year in question, the insurer has complied in all material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



J S Moss
Managing Director



J S B Smith
Director



M J Merrick
Director

Date: 9 April 2009

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1) (continued)

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

Note 1 to the certificate required by Rule 9.34(1)

Compliance with the provisions of INSPRU

Paragraph (1b) requires that the insurer has complied in all material respects with the requirements in INSPRU. In November 2008 the insurer notified the FSA that it was in technical breach of its Group Capital Adequacy ("GCA") obligations.

To rectify the situation, Impala Holdings Limited (IHL), a fellow subsidiary, carried out a capital restructuring in which £2,598m was repaid to Sun Capital Investments 2 Limited and Hera Investments 2 Limited in settlement of existing subordinated debt obligations, together with accrued interest. This was settled by IHL through the issue of 2 new ordinary C shares for consideration of £1,600m and £998m of new subordinated debt. In addition to this, the insurer applied for a waiver, which was granted by the FSA and which provides relief in respect of one of the capital restrictions within the GCA calculation and enables the insurer to meet its GCA requirements. The insurer has continued to meet its GCA requirements since that date.

The waiver expires on 30 April 2009. Regular dialogue is continuing with the FSA regarding the capital position of the Pearl Group Limited Group and a waiver extension has been requested. In the event that the waiver is not extended the Pearl Group Limited Group is able to restructure the term of the C shares referred to above such that there is no requirement for the waiver.

Returns under the Accounts and Statements Rule

Independent auditors' report to the directors pursuant to rule 9.35

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2008

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

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

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

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

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

Respective responsibilities of the insurer and its auditors

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

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

Returns under the Accounts and Statements Rule

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global business

Financial year ended 31 December 2008

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 9 April 2009. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements and the valuation reports.

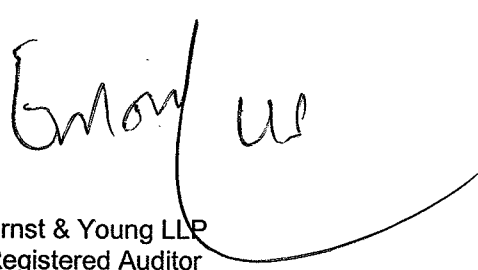
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused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

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

Opinion

In our opinion:

- (a) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports required by IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.


Ernst & Young LLP
Registered Auditor
London

Date: 9 April 2009