

Phoenix and London Assurance Limited

(formerly Sun Alliance and London Assurance Company Limited)
(A member of the Resolution plc group)

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

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



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

Statement of solvency - long-term insurance businessName of insurer **Phoenix and London Assurance Limited**

Global business

Financial year ended **31st December 2005**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R2	894616	GL	31	12	2005	£000
			As at end of this financial year		As at end of the previous year		
			1		2		

Capital resources

Capital resources arising within the long-term insurance fund	11	204279	162470
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	392186	228371
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	596465	390841

Guarantee Fund

Guarantee Fund requirement	21	91367	116469
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	505098	274372

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	274102	349408
Resilience capital requirement	32	40000	35000
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	314102	384408
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	314102	384408
Excess (deficiency) of available capital resources to cover 50% of MCR	37	439414	69307
Excess (deficiency) of available capital resources to cover 75% of MCR	38	360889	(26795)

Enhanced capital requirement

With-profits insurance capital component	39	41722	
Enhanced capital requirement	40	355824	384408

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	355824	384408
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	240641	6433

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering sheet to Form 2

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

Global business

Financial year ended **31st December 2005**

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

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

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

29 March 2006

Components of capital resources

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

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	894616	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4		

Core tier one capital

Permanent share capital	11		81000	81000	81000
Profit and loss account and other reserves	12		239237	239237	227990
Share premium account	13				
Positive valuation differences	14		65491	65491	
Fund for future appropriations	15				71787
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		385728	385728	380777

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		385728	385728	380777
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				119266
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				119266
Total tier one capital after deductions (31-37)	39		385728	385728	261511

Components of capital resources

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

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	894616	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46		211906	211906	
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49		211906	211906	

Fixed term preference shares	51				
Other tier two instruments	52				211374
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				211374

Total tier two capital before restrictions (49+59)	61		211906	211906	211374
Excess tier two capital	62				
Further excess lower tier two capital	63				80619
Total tier two capital after restrictions, before deductions (61-62-63)	69		211906	211906	130755

Components of capital resources

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

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	894616	GL	31	12	2005	£000
	General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4		

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		597634	597634		392266
Inadmissible assets other than intangibles and own shares	73		1169	1169		1425
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		596465	596465		390841

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		596465	596465		390841
Available capital resources for 50% MCR requirement	82		596465	596465		261511
Available capital resources for 75% MCR requirement	83		596465	596465		261511

Financial engineering adjustments

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

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

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

Global business

Financial year ended **31st December 2005**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R11	894616	GL	31	12	2005	£000
			This financial year 1		Previous year 2	
Gross premiums written	11		19421		20155	
Premium taxes and levies (included in line 11)	12					
Premiums receivable net of taxes and levies (11-12)	13		19421		20155	
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		19421		20155	
Gross premiums earned	21					
Premium taxes and levies (included in line 21)	22					
Premiums earned net of taxes and levies (21-22)	23					
Premiums for classes 11, 12 or 13 (included in line 23)	24					
Premiums for "actuarial health insurance" (included in line 23)	25					
Sub-total H (23 + 1/2 24 - 2/3 25)	26					
Sub-total I (higher of sub-total A and sub-total H)	30		19421		20155	
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	3496		3628	
	Excess (if any) over 50M EURO x 0.02	33				
Sub-total J (32-33)	34		3496		3628	
Claims paid in period of 3 financial years	41		36479		34848	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	42073		49041	
	For insurance business accounted for on an accident year basis	43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44	40028		36468	
	For insurance business accounted for on an accident year basis	45				
Sub-total C (41+42+43-44-45)	46		38524		47421	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47		35697		44431	
Sub-total D (46-47)	48		2827		2990	
Reinsurance ratio (Sub-total D / sub-total C or, if more, 50% or, if less, 100%)	49		50.00		50.00	
Premiums amount Sub-total J x reinsurance ratio	50		1748		1814	
Provisions for claims outstanding (before discounting and net of reinsurance)	51		1216		1215	
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)	52		2055		1884	
Greater of lines 50 and 52	53		2055		1884	

Calculation of general insurance capital requirement - claims amount and result

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

Global business

Financial year ended **31st December 2005**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R12	894616	GL	31	12	2005	£000
				This financial year 1		Previous year 2	
Reference period (No. of months) See PRU7.2.63R		11		36		36	
Claims paid in reference period		21		36479		34848	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22		42073		49041	
	For insurance business accounted for on an accident year basis	23					
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24		40028		36468	
	For insurance business accounted for on an accident year basis	25					
Claims incurred in reference period (21+22+23-24-25)		26		38524		47421	
Claims incurred for classes 11, 12 or 13 (included in 26)		27					
Claims incurred for "actuarial health insurance" (included in 26)		28					
Sub-total E (26 + 1/2 27 - 2/3 28)		29		38524		47421	
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31		12841		15807	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32		3339		4110	
	Excess (if any) over 35M EURO x 0.03	33					
Sub-total G (32 - 33)		39		3339		4110	
Claims amount Sub-total G x reinsurance ratio (11.49)		41		1670		2055	
Higher of premiums amount and brought forward amount (11.53)		42		2055		1884	
General insurance capital requirement (higher of lines 41 and 42)		43		2055		2055	

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2005**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	894616	GL	31	12	2005	£000	1
Investments					As at the end of this financial year	1	As at the end of the previous year	2
Land and buildings				11				
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25		1201		1201
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		3571		14552
Rights under derivative contracts				44				
Fixed interest securities	Approved			45		132692		14223
	Other			46		261000		265000
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				10000
Other financial investments				56				

Analysis of admissible assets

Name of insurer **Phoenix and London Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	894616	GL	31	12	2005	£000	1
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				
		Property linked		59				
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business		Policyholders		71				
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74				
		Ceded		75				
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78				
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		7481		6532
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		4406		2618
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		410351		314126

Analysis of admissible assets

Name of insurer **Phoenix and London Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	894616	GL	31	12	2005	£000	1

	As at the end of this financial year 1	As at the end of the previous year 2
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Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	410351	314126
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	139957	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	550308	

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

Name of insurer **Phoenix and London Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	894616	GL	31	12	2005	£000	10
Investments						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11		471185		625415
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41		463451		615924
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		46828		67869
Rights under derivative contracts				44		227155		75419
Fixed interest securities	Approved			45		3179184		4056908
	Other			46		1870618		2247135
Variable interest securities	Approved securities			47		125018		120856
	Other			48		90940		118071
Participation in investment pools				49				
Loans secured by mortgages				50		5327		5922
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		3550		4094
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				103095
	More than one month withdrawal			55				20000
Other financial investments				56				

Analysis of admissible assets

Name of insurer **Phoenix and London Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	894616	GL	31	12	2005	£000	10
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58		45461		202169
		Property linked		59		3535		3549

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		2991		3130
	Intermediaries	72				
Salvage and subrogation recoveries		73				
Reinsurance	Accepted	74				
	Ceded	75		9957		8247
Dependants	Due in 12 months or less	76				
	Due in more than 12 months	77				
Other	Due in 12 months or less	78		14137		16488
	Due in more than 12 months	79				

Other assets

Tangible assets		80				
Deposits not subject to time restriction on withdrawal with approved institutions		81		57254		10212
Cash in hand		82				
Other assets (particulars to be specified by way of supplementary note)		83				
Accrued interest and rent		84		67849		82001
Deferred acquisition costs (general business only)		85				
Other prepayments and accrued income		86		3395		3325
Deductions from the aggregate value of assets		87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89		6687835		8389829

Analysis of admissible assets

Name of insurer **Phoenix and London Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Total long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	894616	GL	31	12	2005	£000	10

	As at the end of this financial year 1	As at the end of the previous year 2
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Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	6687835	8389829
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	1729738	
Other asset adjustments (may be negative)	100	(179890)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	8237683	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	4682	
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Long term insurance business liabilities and marginsName of insurer **Phoenix and London Assurance Limited**

Global business

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

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	6174899	7977872
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	500	500
Long term insurance business fund carried forward (11 to 13)	14	6175399	7978372
Claims outstanding	Gross amount	15	44480
	Reinsurers' share	16	2427
	Net (15-16)	17	42053
Provisions	Taxation	21	13476
	Other	22	2482
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	1781
	Reinsurance accepted	32	
	Reinsurance ceded	33	2577
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	8762
	Other	38	228808
Accruals and deferred income	39	8718	8834
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	308657	249487
Excess of the value of net admissible assets	51	203779	161970
Total liabilities and margins	59	6687835	8389829
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		441
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3891	4073
Total liabilities (11+12+49)	71	6483556	8227359
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1729738	
Other adjustments to liabilities (may be negative)	74	24389	
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	8237683	

Liabilities (other than long term insurance business)Name of insurer **Phoenix and London Assurance Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R15	894616	GL	31	12	2005	£000
				As at the end of this financial year 1		As at the end of the previous year 2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	5116	3917
	Recommended dividend	48		
	Other	49	13045	1219
Accruals and deferred income		51	4	
Total (19 to 51)		59	18165	5136
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	211906	211374
Total (59 to 63)		69	230071	216510

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	224951	212593
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	320237	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	550308	

Profit and loss account (non-technical account)Name of insurer **Phoenix and London Assurance Limited**

Global business

Financial year ended **31st December 2005**

		Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R16	894616	GL	31	12	2005	£000
		This financial year			Previous year			
		1			2			
Transfer (to)/from the general insurance business technical account	From Form 20	11						
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13		4150			6521	
Investment income	Income	14		26652			14571	
	Value re-adjustments on investments	15		2363				
	Gains on the realisation of investments	16					4506	
Investment charges	Investment management charges, including interest	17		11852			16	
	Value re-adjustments on investments	18					6004	
	Loss on the realisation of investments	19		110				
Allocated investment return transferred to the general insurance business technical account		20						
Other income and charges (particulars to be specified by way of supplementary note)		21		(4840)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29		16363			19578	
Tax on profit or loss on ordinary activities		31		5116			3917	
Profit or loss on ordinary activities after tax (29-31)		39		11247			15661	
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		11247			15661	
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59		11247			15661	

Analysis of derivative contractsName of insurer **Phoenix and London Assurance Limited**

Global business

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

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	894616	GL	31	12	2005	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25	90031			67702			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	242841	146819		75534		80156	
Adjustments for variation margin		41	(105717)			(67817)			
Total (11 to 41)		49	227155	146819		75419		80156	

With-profits insurance capital component for the fund

Name of insurer **Phoenix and London Assurance Limited**
Global business
Financial year ended **31st December 2005**
With-profits fund **Ordinary Long Term Business 1**
Units **£000**

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

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	6687835	8389829
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13	887687	2825145
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in fund	14		
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15		
	Total (11+12-(13+14+15))	19	5800147	5564684
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5287212	5152726
	Regulatory current liabilities of the fund	22	453454	460861
	Total (21+22)	29	5740666	5613587
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	274102	349408
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32	40000	35000
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		39	6054768	5997995
Regulatory excess capital (19-39)		49	(254621)	(433311)

Realistic excess capital

Realistic excess capital	51	(230028)	(310094)
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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	(24593)	(123217)
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62	144797	
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63	78481	
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero; else greater of 61 and zero)	64	41722	

Realistic balance sheet

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

Global business

Financial year ended **31st December 2005**

With-profits fund **Ordinary Long Term Business 1**

Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	5800147	5564684
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	31524	115814
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in the fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	5831671	5680498
Support arrangement assets	27		
Assets available to the fund (26+27)	29	5831671	5680498

Realistic value of liabilities of fund

With-profits benefits reserve	31	4534941	4548348	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	56553	97749
	Planned enhancements to with-profits benefits reserve	34	2245	3170
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35	366154	348577
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	420560	419748
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	852732	690020
	Future costs of smoothing (possibly negative)	44	260	10535
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	181641	167309
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1034731	844456	
Realistic current liabilities of the fund	51	261999	287694	
Realistic value of liabilities of the fund (31+49+51)	59	5831671	5680498	

Realistic balance sheet

Name of insurer **Phoenix and London Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 With-profits fund **Ordinary Long Term Business 1**
 Units **£000**

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

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	6061699	5990592
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	6061699	5990592
Risk capital margin for fund (62-59)	65	230028	310094
Realistic excess capital for fund (26-(59+65))	66	(230028)	(310094)
Realistic excess available capital for fund (29-(59+65))	67	(230028)	(310094)
Working capital for 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	240641	
Additional amount potentially available for inclusion in line 63	82		

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

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	(1947138)	265020
Investment income receivable before deduction of tax	12	354865	419940
Increase (decrease) in the value of non-linked assets brought into account	13	438429	363432
Increase (decrease) in the value of linked assets	14	277	217
Other income	15	71	
Total income	19	(1153496)	1048609
Expenditure			
Claims incurred	21	578321	821215
Expenses payable	22	32332	46432
Interest payable before deduction of tax	23	22588	22748
Taxation	24	12086	9250
Other expenditure	25		62
Transfer to (from) non technical account	26	4150	6521
Total expenditure	29	649477	906228
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1802973)	142381
Fund brought forward	49	7978372	7835991
Fund carried forward (39+49)	59	6175399	7978372

Long term insurance business : Analysis of premiumsName of insurer **Phoenix and London Assurance Limited**Total business/subfund **Ordinary Long Term Business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	145570	58497	885	204952	239026
Single premiums	12	(30)	107554	521	108045	127988
Reinsurance - external						
Regular premiums	13	2007	76	20	2103	2307
Single premiums	14		2178612		2178612	
Reinsurance - intra-group						
Regular premiums	15	41608	32647	222	74477	82637
Single premiums	16	31	4912		4943	17050
Net of reinsurance						
Regular premiums	17	101955	25774	643	128372	154082
Single premiums	18	(61)	(2075970)	521	(2075510)	110938
Total						
Gross	19	145540	166051	1406	312997	367014
Reinsurance	20	43646	2216247	242	2260135	101994
Net	21	101894	(2050196)	1164	(1947138)	265020

Long term insurance business : Analysis of claimsName of insurer **Phoenix and London Assurance Limited**Total business/subfund **Ordinary Long Term Business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	48120	7384	(11)	55493	61264
Disability periodic payments	12	5959			5959	5586
Surrender or partial surrender	13	154106	180873	276	335255	420747
Annuity payments	14	3099	159994	1609	164702	160553
Lump sums on maturity	15	196584	105626	3178	305388	380373
Total	16	407868	453877	5052	866797	1028523
Reinsurance - external						
Death or disability lump sums	21	2971	10	15	2996	157
Disability periodic payments	22	541			541	424
Surrender or partial surrender	23					2960
Annuity payments	24		76897	248	77145	249
Lump sums on maturity	25					
Total	26	3512	76907	263	80682	3790
Reinsurance - intra-group						
Death or disability lump sums	31	19170	2159	(2)	21327	25281
Disability periodic payments	32	5375			5375	5102
Surrender or partial surrender	33	54068	117630		171698	147528
Annuity payments	34					1463
Lump sums on maturity	35	1845	7549		9394	24144
Total	36	80458	127338	(2)	207794	203518
Net of reinsurance						
Death or disability lump sums	41	25979	5215	(24)	31170	35826
Disability periodic payments	42	43			43	60
Surrender or partial surrender	43	100038	63243	276	163557	270259
Annuity payments	44	3099	83097	1361	87557	158841
Lump sums on maturity	45	194739	98077	3178	295994	356229
Total	46	323898	249632	4791	578321	821215

Long term insurance business : Analysis of expenses

Name of insurer **Phoenix and London Assurance Limited**Total business/subfund **Ordinary Long Term Business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	354	396		750	3476
Commission - other	12	3089	798	17	3904	3640
Management - acquisition	13	2925	357		3282	3384
Management - maintenance	14	10681	12116	16	22813	25331
Management - other	15	3452	1917		5369	15104
Total	16	20501	15584	33	36118	50935
Reinsurance - external						
Commission - acquisition	21	5			5	32
Commission - other	22	118	5	1	124	95
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	123	5	1	129	127
Reinsurance - intra-group						
Commission - acquisition	31	234	263		497	823
Commission - other	32	2066	1087	7	3160	3553
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	2300	1350	7	3657	4376
Net of reinsurance						
Commission - acquisition	41	115	133		248	2621
Commission - other	42	905	(294)	9	620	(8)
Management - acquisition	43	2925	357		3282	3384
Management - maintenance	44	10681	12116	16	22813	25331
Management - other	45	3452	1917		5369	15104
Total	46	18078	14229	25	32332	46432

Long term insurance business : Linked funds balance sheet

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

Total business

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

		Financial year	Previous year
		1	2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11	1350	1493
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	125	76
Total assets (excluding cross investment) (11+12+13)	14	1475	1569
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	25	32
Total net assets (14-15-16-17)	18	1450	1537
Directly held linked assets			
Value of directly held linked assets	21	2085	2012
Total			
Value of directly held linked assets and units held (18+21)	31	3535	3549
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	3535	3549

Long term insurance business : Revenue account for internal linked fundsName of insurer **Phoenix and London Assurance Limited**

Total business

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

		Financial year	Previous year
		1	2
Income			
Value of total creation of units	11		
Investment income attributable to the funds before deduction of tax	12	99	108
Increase (decrease) in the value of investments in the financial year	13	147	238
Other income	14		
Total income	19	246	346
Expenditure			
Value of total cancellation units	21	324	316
Charges for management	22	9	10
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	333	326
Increase (decrease) in funds in financial year (19-29)	39	(87)	20
Internal linked fund brought forward	49	1537	1517
Internal linked funds carried forward (39 + 49)	59	1450	1537

APPENDIX 9.4

Phoenix and London Assurance Limited

Abstract of Valuation Report

1

Introduction

- 1.1 The investigation relates to 31st December 2005.
- 1.2 The previous valuation related to 31st December 2004
- 1.3 There were no interim valuations

2

Product Range

- 2. Significant changes since the previous valuation date:

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

3

Discretionary Charges and Benefits

- 3.1 Market value reduction information

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

The following products invest solely in the Unitised With Profits Fund.

Mortgage Savings Plan Regular Savings Plan

MVRs on these contracts have been applied from September onwards to policies commencing in 2002 or 2003.

Unitised With Profits Bond

MVRs on these contracts have been applied throughout the year of valuation to policies commencing between June 1996 and January 1999.

UWP Group Pensions

MVRs on these contracts have been applied in Quarters 1, 2 and 3 of the year of valuation to a number of policies commencing between April 1998 and April 2001, although this was dependent on the quarter in which the policy commenced.

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

Universal Protection Plan

MVRs on these contracts have been applied for all policy years of entry throughout the year of valuation.

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

MVRs on these contracts have been applied throughout the year of valuation to policies with entry years from 1997 to 2001 and 2004 to 2005.

3.2 Changes to premiums on reviewable protection policies

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

For Progressive Protection Plan a change to premium rates is permitted but did not occur during the report period. Reserves for Progressive Protection Plan are separately identifiable in Form 51.

3.3 Non-profit deposit administration contracts

There are no non-profit deposit administration contracts.

3.4 Changes to service charges on linked policies

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

Universal Protection Plan

The policy charge increased by 5.4% of its previous level from £2.80 to £2.95 per month.

Mortgage Savings Plan and Regular Savings Plan

The policy charge increased by 4.5% of its previous level from £3.30 to £3.45 per month.

Individual Personal Pension Plan, Group Personal Pension Plan, Company Pension Scheme and Company Additional Pension Scheme

For stand alone single premium contracts the following changes in policy charges applied:

Contract Start Date	Increase	Previous Policy Charge	Current Policy Charge
Pre 16/10/1995	4.4%	£4.50	£4.70
16/10/1995 – 20/09/1998	4.5%	£1.78	£1.86
21/09/1998 – 09/04/2000	4.6%	£3.25	£3.40
10/04/2000 onwards	4.5%	£2.87	£3.00

For paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan) the policy charge increased by 4.9% of its previous level from £1.62 to £1.70 per month. The equivalent policy charge for Group Personal Pension Plan is £nil.

Personal Additional Pension Plan

For stand alone single premium contracts the following changes in policy charges applied:

Contract Start Date	Increase	Previous Policy Charge	Current Policy Charge
Pre 16/10/1995	4.4%	£4.50	£4.70
16/10/1995 – 20/09/1998	4.5%	£1.78	£1.86
21/09/1998 – 09/04/2000	4.6%	£3.25	£3.40
10/04/2000 onwards	4.5%	£2.87	£3.00

For regular premium contracts the following changes in policy charges applied:

Contract Start Date	Increase	Previous Policy Charge	Current Policy Charge
Pre 29/01/1996	4.4%	£4.50	£4.70
30/01/1996 – 10/04/2000	4.7%	£4.30	£4.50
11/04/2000 onwards	4.2%	£2.88	£3.00

For paid-up policies, or whilst a premium holiday is in-force, the policy charge has increased by 4.9% of its previous level from £1.62 to £1.70 per month.

Executive Pension Plan

For stand alone single premium contracts the following changes in policy charges applied:

Contract Start Date	Increase	Previous Policy Charge	Current Policy Charge
Pre 16/10/1995	4.4%	£4.50	£4.70
16/10/1995 – 20/09/1998	4.5%	£1.78	£1.86
21/09/1998 onwards	4.6%	£3.25	£3.40

For regular premium contracts the following changes in policy charges applied:

Contract Start Date	Increase	Previous Policy Charge	Current Policy Charge
Pre 29/01/1996	4.4%	£4.50	£4.70
30/01/1996 onwards	4.7%	£4.30	£4.50

For paid-up policies, or whilst a premium holiday is in-force, the policy charge has increased by 4.9% of its previous level from £1.62 to £1.70 per month.

3.5 Changes to benefit charges on linked policies

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

3.6 Changes to unit management charges or notional charges to accumulating with profits policies

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

Annual maintenance expenses (net of policy fee where applicable), which changed from £22.68 p.a. to £27.00 p.a..

Charges for guarantees and smoothing, which changed from 0.5% p.a. of asset share to 0.9% p.a. of asset share from 1 July 2005.

Investment expenses at the rate of 0.142% p.a..

Changes apply to all accumulating with profits business.

3.7 Unit pricing of internal linked funds

Immediate Annuity Fund

The Immediate Annuity Fund is invested principally in two commercial properties.

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

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

The fund is valued on a mid-market basis.

Other Internal Linked Funds

Benefits attaching to other internal linked funds other than the Immediate Annuity Fund are wholly reassured ultimately to Phoenix Life Limited and the unit pricing of the funds is described in the Returns of that company.

3.8 Tax deductions from internal linked funds

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

3.9 Tax provisions for internal linked funds

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

3.10 Discounts on unit trust holdings

No commission is payable by the managers of F&C UK Equity OEIC on the purchase of units by the company.

Valuation Basis (other than for Special Reserves)

4.1 The valuation methods used

Gross Premium Method

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

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

Accumulating With Profits Policies

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

- (i) the discounted value of:
 - (aa) the guaranteed benefits allowing for future annual bonus rates in accordance with the table in paragraph 4.7 (which is consistent with treating customers fairly); and
 - (bb) assumed future expenses per paragraph 4.6.
- (ii) the lower of:
 - (aa) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date, having regard to the representations of the company; and
 - (bb) the amount in (aa) disregarding all discretionary adjustments.

Other Products

Where benefits under property linked policies are reassured to Phoenix Life and Pensions Limited and Phoenix Life Limited, the method of calculation is fully disclosed in the Returns of those companies.

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

For Retirement Funds the reserves have been taken as the value of the guaranteed cash option of the fully paid-up benefits.

Calculation Notes

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

Policies carrying an extra premium have an additional reserve of one year's extra premium, apart from Individual Permanent Health Insurance contracts where a reserve of 9.75 years' extra premiums is held.

4.2 Interest rates used

The interest rates (per annum) used, split by product group, for the current financial year and the previous financial year, are shown below:

	Current Year	Previous Year
Life Business		
With-Profits Endowment Assurances	3.15%	3.30%
Other With-Profits Assurances	2.90%	3.15%
UWP Bond	2.50%	2.50%
Non-Profit Endowment Assurances	3.25%	3.40%
Other Non-Profits Assurances	2.90%	3.15%
Annuities in payment (new GAF)	3.85%	4.20%
Annuities in payment (old GAF)	4.25%	4.65%
Monies on Deposit	4.00%	4.00%
RPI Linked Annuities in payment (net)	0.70%	1.10%
Pensions Business		
With Profits Pure Endowment & With Profits Deferred Annuities – Regular premiums		
Pre Vesting	3.90%	4.20%
Post Vesting	3.83%	4.20%
With Profits Pure Endowment & With Profits Deferred Annuities – Single premiums and paid-ups:		
Initial rate	4.20%	4.60%
Reinvestment rate	3.71%	3.97%
Annuities in Payment	4.25%	4.65%
RPI Linked Annuities in payment	0.90%	1.40%
RPI Linked Deferred Annuities	0.90%	1.40%
Non-Profit Assurances	3.65%	3.95%
Non-Profit Deferred Annuities		
Pre Vesting	3.65%	3.95%
Post Vesting	3.65%	3.95%
Monies on Deposit	7.00%	7.00%
PHI		
Claims In Payment	4.00%	4.40%
Other	3.60%	3.90%

4.3 Adjustment for risk

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

Fixed Interest

Approved Securities

No reduction

Other Securities

A deduction from the yield dependent on the credit rating of the security per the table below:

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

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

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

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

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

4.4 Mortality bases used

The mortality bases used for the valuation were:

Product	Current Year		Previous Year	
	Male	Female	Male	Female
Endowment and Whole of Life Assurances	82% (AM92)	106% (AF92)	60% (AM80)	79% (AF80)
Term Assurances				
- Aggregate	89.3%	89%	84%	89%
- Smoker	142%	142%	142%	142%
- Non-smoker	78.8% (TM92)	74% (TF92)	68% (TM92)	74% (TF92)
Pensions pre-vesting and pension term assurances	54.3% (AM92)	61% (AF92)	37% (AM80)	49% (AF80)
Life annuities currently in payment	Modified IM80 (c=2010)	Modified IF80 (c=2010)	Modified IM80 (c=2010)	Modified IF80 (c=2010)
Pensions post-vesting	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)	Modified PMA80 (c=2010)	Modified PFA80 (c=2010)
Pensions immediate annuities	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)

Life annuities currently in payment

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

Males: 83.7% (85.0%) of IM80 (c=2010) improving at 1.5% (1.5%) p.a.
 Females: 83.9% (85.0%) of IF80 (c=2010) improving at 1.25% (1.25%) p.a.

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

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

Pension annuities currently in payment

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

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

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

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

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

The basis as at the previous valuation date was:

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

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

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

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

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

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

	Male	Female
Up to age 55	734.1%	530.9%
At age 65	173.9%	134.5%
At age 75	94.2%	108.6%
At age 85	87.0%	110.5%
At age 95	87.6%	111.8%

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

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

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

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

Males: 70% of PMA80 (c=2010) improving at 1.5% p.a.
 Females: 90% of PFA80 (c=2010) improving at 1.5% p.a.

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

Age	Current Year		Previous Year	
	Males	Females	Males	Females
45	27.01	27.25	24.96	26.77
55	25.25	25.80	23.53	25.42

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

4.5 Morbidity bases used

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

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

Age	2 year duration		5 year duration	
	Male	Female	Male	Female
25	288%	489%	288%	489%
35	288%	489%	288%	489%
45	311%	528%	311%	528%
55	311%	528%	311%	528%

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

Age	2 year duration		5 year duration	
	Male	Female	Male	Female
25	288%	489%	288%	489%
35	288%	489%	288%	489%
45	288%	489%	288%	489%
55	219%	371%	219%	371%

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

	2 year duration		5 year duration	
Age	Male	Female	Male	Female
25	32%	32%	32%	32%
35	32%	32%	32%	32%
45	32%	32%	32%	32%
55	32%	32%	32%	32%

Percentages of Recovery rates for the modified CMIR12 table at previous year

	2 year duration		5 year duration	
Age	Male	Female	Male	Female
25	28%	28%	32%	32%
35	28%	28%	32%	32%
45	28%	28%	32%	32%
55	28%	28%	32%	32%

Mortality for Individual Permanent Health Insurance is assumed to be 81.0% TM92 for males and 80.7% TF92 for females.

Mortality for Individual Permanent Health Insurance as at the previous valuation was assumed to be 76.2% TM92 for males and 81.0% TF92 for females.

4.6 Expense bases used

For policies valued using a gross premium valuation, allowance has been made for renewal commission as paid and an annual renewal expense in accordance with the expense table below inflating at 6.8% p.a.

For with profit bonds renewal expenses we have compared the value of future policy fees with the value of future renewal expenses in accordance with the expense table below inflating at 6.8% p.a. We have determined that no additional reserve is required.

For other accumulating with profits policies the reserve, calculated formulaically, includes an allowance for expenses in accordance with the expense table below inflating at 6.8% p.a. Renewal commission is assumed to be payable from the margins within future premium allocations.

The inflation rate assumed in last year's valuation was 6.4% p.a..

Expense Table

		Current Year	Previous Year
Annuities	[1]	£13.68	£11.61
Other	[2]	£29.09	£24.68

[1] annuities in payment and certain non-profit single premium deferred annuities

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

4.7 Future bonus rates

Accumulating with profits business – assumed annual future bonus rates

	2006	2007 & after
Bonds	0.17% p.a.	0% p.a.
Other life	0.17% p.a.	0% p.a.
UWP Group pensions	0.17% p.a.	0% p.a.
Other pensions	0.17% p.a.	0% p.a.

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

4.8 Other material basis assumptions

Voluntary Premium Discontinuance

The Company anticipates voluntary premium discontinuances on certain with profits life and pension contracts.

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

For with profits life products (excluding whole life) and with profits pensions products (except Retirement Fund) initial rates of discontinuance are:

Initial Surrender Rates (%)

Product	Policy Year										
	1	2	3	4	5	6	7	8	9	10	11+
Mortgage endowments	2.1	2.1	2.1	2.1	2.1	2.8	2.8	2.8	4.2	5.6	4.2
Other endowments	0.7	0.7	0.7	1.4	2.8	2.1	2.8	2.1	2.1	2.8	2.1
Group Pensions (Regular Premium)	4.9	4.2	3.5	3.5	3.5	2.8	2.8	2.8	2.8	2.8	2.8
Group Pensions (Single Premium)	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Group Pension (Paid-Up)	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Personal Pensions (Regular Premium)	9.8	10.5	7.0	4.2	2.8	2.8	2.8	2.8	2.8	2.8	2.1
Personal Pensions (Single Premium)	1.3	1.3	1.3	1.3	1.7	1.2	1.4	1.1	1.7	1.5	1.5
Personal Pensions (Paid-Up)	9.1	9.1	9.1	5.6	4.9	4.9	4.2	3.5	3.5	3.5	2.8
Transfer Plan	1.4	0.7	1.4	1.4	2.1	0.7	0.7	0.7	0.7	0.7	1.4

Initial Paid-Up Rates (%)

Product	Policy Year										
	1	2	3	4	5	6	7	8	9	10	11+
Group Pensions	9.8	8.4	7.0	7.0	7.0	5.6	5.6	5.6	5.6	5.6	5.6
Personal Pensions	0.7	4.2	7.0	5.6	7.7	5.6	5.6	4.9	5.6	4.9	2.8

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

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

4.9 Allowance for derivative contracts

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

5

Options and Guarantees

5.1 Guaranteed Annuity Rate Options

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

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

95% for Pension Reserve contracts

95% for Personal Pension Scheme protected rights contracts

95% for Additional Pension Plan contracts

79% (*) for Executive Benefits Plan and Retirement Security Plan

87% (*) for Personal Pension Plan and Personal Pension Scheme contracts

86%(*) for Transfer Plan

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

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

- The expenses of payment are 2.7% of the value of the annuity
- For swaption contracts which are held in connection with these guarantees we have calculated an internal rate of return equating the market value of the swaption contracts to the intrinsic value of the underlying swap contracts. For this purpose we assume that swap rates at expiry are as implied by the forward swap yield curve at the valuation date. The internal rate of return so calculated is deemed to be the "yield" on the swaptions for the purposes of determining a valuation rate of interest used in the calculation of reserves for policies with guaranteed annuity options.

The reserves calculated as above have been compared with the market value of the options determined using market consistent swaption prices and the same demographic assumptions. If, in aggregate, the market value is higher then the reserves are increased to this amount. The additional reserve at the valuation date is £Nil.

(b)

Product name	Basic reserve (£000)	Spread of outstanding durations	Guarantee reserve (£000)	GAR ¹	Increments	Form of annuity ³	Retirement ages	
Additional Pension Plan	10,942	0 to 41 years	5,318	10.0%	Yes ²	Level - single life	Ages 50 to 75	
				8.1%				Escalating at 3% - single life
				8.1%				Level - 60% spouse
Executive Benefits Plan	183,432	0 to 40 years	78,392	10.0%	Yes ²	Level - single life	Ages 50 to 75	
				7.6%				Escalating at 4% - single life
				8.1%				Level - 60% spouse
Retirement Security Plan	106,549	0 to 42 years	41,060	10.0%	Yes ²	Level - single life	Ages 50 to 75	
				8.1%				Escalating at 3% - single life
				8.1%				Level - 60% spouse
Transfer Plan	318,297	0 to 35 years	120,111	10.0%	Yes ²	Level - single life	Ages 50 to 75	
				8.1%				Escalating at 3% - single life
				8.1%				Level - 60% spouse
PPP81	370,581	0 to 33 years	171,293	10.0%	Yes	Level - single life	Ages 50 to 75	
				8.1%				Level - 60% spouse
Fowler	472,053	0 to 44 years	213,403	10.0%	Yes ²	Level - single life	Ages 50 to 75	
				8.1%				Escalating at 3% - single life
				8.1%				Level - 60% spouse
Fowler (DSS)	741,601	0 to 36 years	369,465	10.0%	Yes ²	Level - single life	Ages 60 to 75	
				8.1%				Escalating at 3% - single life
				8.3%				Level - 50% spouse
Pensions Reserve	17,139	0 to 33 years	8,284	10.0%	Yes ²	Level - single life	Ages 50 to 75	
				8.1%				Level - 60% spouse

¹ GAR for a male life at age 65 with form of annuity as described.

² Benefits secured by DSS payments after 6 April 1998 and increments commencing after 1 December 1998 do not include a guaranteed annuity option.

³ Annuity is payable monthly in advance and guaranteed for 5 years. The forms of annuity represent the various forms assumed in the reserving calculation. Not all forms are necessarily contractual obligations and may represent a concession by the Company.

5.2 Guaranteed Surrender Values

Unitised With Profits Bond

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

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

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

(i) Unitised With Profits Bond

(ii) & (iv) Total reserves for the retained business are £91,717,000. If the method of calculation described in Paragraph 4.1 had ignored the discounted value of guaranteed benefits then the reserve would have been approximately £15,000 lower.

(iii) Retained policies commenced between June 1996 and September 1997

(v) The guaranteed amount on retained business is £92,985,000

(vi) MVRs are not applicable on encashment or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits.

(vii) Benefits are secured by single premium

(viii) Increments are not allowed

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

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

Guaranteed Unit-Linked Maturity Values

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

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

5.3 Guaranteed Insurability Options

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

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

5.4 Nature of other guarantees and options

None

6

Expense Reserves

6.1 The aggregate amount of expense loadings

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

	<u>£m</u>
Per policy expenses	14.0
Investment expenses	7.7
Total other expenses	9.3
Total	<u>31.0</u>

6.2 Basis of calculating implicit allowances

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

6.3 Whether amount of maintenance expenses is significantly different from line 14 of Form 43 figure

Of the aggregate amount in 6.1, £21.7m would be reported on line 14 of Form 43 and this amount is not significantly different from the amount reported on that line in this Return. The balance of the aggregate amount in 6.1 would be reported on lines 13 and 15 of Form 43

6.4 New business overrun reserve

The company is closed to new business except for contractual increments and options arising on existing contracts. No new business overrun reserve is held.

6.5 Maintenance expense overrun reserve

Expense reserves in accordance with 6.1 are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

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

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

Mismatching Reserves

7.1 Analysis of reserves by currency

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

- Sterling liabilities of £6,170m matched by sterling assets of £6,170m.
- Liabilities of £1m denominated in currencies other than sterling matched by assets in the same currency

7.2 Other currencies grouped together

All liabilities denominated in currencies other than sterling are matched by assets in that currency.

7.3 Currency mismatching reserve

No currency mismatching reserve is held.

7.4 Most onerous mismatching scenario in UK

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

(i) a fall in the value of equities of 10%. Earnings for equities fall by 10% but dividends remain unaltered.

(ii) a fall in real estate values of 20%. Rack rents fall by 10% (and any rental income for property due for review to rack levels during 2006 is assumed to reduce to the lower rack rent).

(iii) a rise in yields on all fixed interest securities by a percentage point movement of 0.82%.

(iv) a rise in real yields on index linked securities of 20%.

(v) a rise in the rate of future expense inflation to 7.4% p.a..

In calculating the liabilities under the most onerous scenario the following additional changes to the assumptions are made:

- the allowance made for the application of a Market Value Reduction within the mathematical reserves for With Profits Bond is amended to be consistent with the change in asset values under the changed conditions
- in the calculation of reserves for accumulating with profits business the assumed rates of future annual bonus were not amended from the rates shown in 4.7.

In calculating the resilience capital requirement the provision for future tax on unrealised capital gains has been treated as a liability and the amount of this provision has been adjusted to allow for the change in asset values on the alternative scenarios tested.

The value of the guaranteed annuity option reserves calculated deterministically in the scenarios is compared to the value assessed using an option pricing approach and any shortfall incorporated. Under the most onerous scenario there was no shortfall.

The Company holds a number of swap and swaption contracts. These were revalued under the most onerous scenario assuming that swap rates change in the same way as fixed interest yields.

7.5 Most onerous scenario outside UK

There are no significant territories outside the United Kingdom.

7.6 Result of the most onerous scenario

- (a) The resilience capital requirement is £40m.
- (b) The change in the aggregate amount of the long-term insurance liabilities is a fall of £668m.
- (c) The aggregate amount by which the assets allocated to match liabilities in the most onerous scenario falls is £704m from the amount of these assets shown in Form 13.

7.7 There is no further reserve held for mismatching.

8

Other Special Reserves

8.1 Endowment Compensation Reserve

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

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

The amount of this reserve is £53.75m.

Additional Guaranteed Annuity Option Reserve

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

The amount of this reserve is £90.5m.

Additional Reserves

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

- data contingency reserves of £20m for additional expenses which may arise in connection with data errors affecting the long-term business
- reserves of £18m for future litigation settlements and similar costs
- reserves of £10m for additional annuity payments arising from amounts withheld from past payments due to the application of statutory limits
- reserves of £6.9m to meet the possibility of VAT applying to future outsourcing costs

9

Reinsurance

9.1 Dealings with non UK authorised insurers

No premiums for reinsurance on a facultative basis were paid to reinsurers who are not permitted to carry out business in the United Kingdom.

9.2 Details of reinsurance

The table below details answers for each reinsurance treaty where the Company was the ceding insurer and under which business is in-force as at 31 December 2005.

(d) <u>Reinsurer</u>	(e) <u>Type of Business</u>	(e) <u>Type of Reinsurance</u>	(e) <u>Extent Of Cover</u> £	(f) <u>Premiums</u> £	(j) <u>Math Res. Ceded</u> £000	(l)	(m)
Revios Re	Individual Life Assurance	2 nd Surplus	100,000	3,376	Note 3	No	No
*Munich Reinsurance	Individual Life Assurance	1 st Surplus (Risk Premium)	375,000	3,822	Note 3	Yes	No
Phoenix Life Limited	Note 1 (b)	Original Terms/Risk Premium	Max of 350,000	44,454,372	203,614	Yes	Yes
Hannover Re	Individual Life Assurance	2 nd Surplus (Risk Premium)	200,000	1,020	Note 3	Yes	No
Phoenix Life Ltd	Note 1 (a)	Original Terms	No Maximum	8,014,539	962,286	Yes	Yes
Swiss Reinsurance	Individual Life Assurance	1 st Surplus (Risk Premium)	1,125,000	896,424	Note 3	Yes	No
GE Frankona	Individual Life Assurance	1 st Surplus (Risk Premium)	375,000	66,067	Note 3	Yes	No

(d) <u>Reinsurer</u>	(e) <u>Type of Business</u>	(e) <u>Type of Reinsurance</u>	(e) <u>Extent Of Cover</u> £	(f) <u>Premiums</u> £	(j) <u>Math Res. Ceded</u> £000	(l)	(m)
Phoenix Life Pensions Ltd	Note 2	Original Terms	No	26,952,196	437,856	Yes	Yes
*Scottish Re	Individual Life Assurance	2 nd Surplus (Risk Premium)	50,000	11,922	Note 3	Yes	No

Note 1: The treaties with Phoenix Life Limited include:

- (a) the reinsurance of the unit linked liability in respect of:
- Lifetime Plan
 - Universal Protection Plan
 - Challenger Bond
 - Personal Pension Plan
 - Personal Pension Scheme
 - Executive Benefits Plan
 - Pension Reserve
- (b) and reinsurance of the Group Pensions unitised with profits contract, certain with profit endowments and Moneymaker contracts on original terms, term assurance, Progressive Protection and PHI on original terms and Universal Protection Plans on risk premium terms and life cover benefits under unitised with profits pensions, MSP and RSP.

Note 2: The treaties with Phoenix Life & Pensions Limited includes reinsurance of:

- (i) With Profit Bond business
- (ii) The liabilities for:
- Executive Pension Plan
 - Company Pension Scheme
 - Company Additional Pension Scheme
 - Individual Personal Pension Plan
 - Group Personal Pension Plan
 - Personal Additional pension Plan

Note 3: Reinsurance ceded external reserves total £15,846,000. This total has not been split between the respective reinsurers.

- (g) Not applicable since there are no deposit back arrangements under any of the treaties.
- (h) All treaties are open to new business, other than those marked with an asterisk.
- New business only arises from incremental policies or the exercising of options under existing contracts. Where such business is unit-linked then all of the business is reinsured; otherwise the Company's retention is nil.
- (i) There are no undischarged obligations
- (n) Credit risk arises from a possible failure of the reinsurer to meet its obligations. For reinsurers which are not connected companies the risk is not deemed material. No provision has been made for credit risk in respect of reassurances with other companies in the Resolution group.
- Legal risks arises from disputes regarding the operation of the treaties. Provision for any associated costs is by way of the litigation provision described in 8 above

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

(p) See 9.3 below.

9.3 Financing arrangements

There is a financing arrangement in place to provide support to the long-term fund. The details of the arrangement are described fully in note 15. 08

For the purposes of the regulatory valuation no provision has been made for the contingent repayment of £144.797m from the long-term fund to the shareholder fund.

10

Reversionary (or annual) bonus

10.1 Details of bonus rates

The following rates of bonus, which are independent of age and original term of the contract, were declared on 31st December 2005:

Reversionary bonus

(a) Bonus Series	(b) Net Math Res. (£000)	(c) Bonus Current Year	(d) Bonus Previous Year	(e) Total guaranteed rate
Category 1 Contracts	3,181,646	0.05%/0.05%	0.1%/0.1%	0.05%/0.05%
Category 2 Contracts	1,769,140	0.1%/0.1%	0.25%/0.25%	0.1%/0.1%
Unitised with profits life ¹	114,867	1.0% ²	1.0% ²	1.0%

¹ The Company also writes unitised with profits business which is wholly reassured to Phoenix Life and Pensions Limited and unitised with profits pension business which is reassured to Phoenix Life and Pensions Limited or Phoenix Life Limited. Reversionary bonuses applying are fully described in the Returns of those companies.

² The annual rate applied throughout the year and is effected by a daily increase in the unit price (subject to rounding constraints)

Category 1 contracts are:

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

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

10.2 Unitised with-profits business unit price increases

For unitised with profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. For business retained by the Company the reversionary bonus rate has been 1.0% throughout 2005. However, for UWP Bonds the unit price has increased by 1.7% reflecting a price correction in February 2005. Business reassured to Phoenix Life & Pensions Limited is described in the Returns of that Company.

10.3 The table in 10.1 (i) shows bonus rates expressed as X%/Y% where X% is the bonus rate applied to the sum assured and Y% is the bonus rate applied to the attaching bonuses.

10.4 Within a bonus series bonus rates do not vary.

APPENDIX 9.4A

Phoenix and London Assurance Limited

Abstract of Valuation Report for Realistic Valuation

1. Introduction

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

2. Assets

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

Item	This Valuation (%)	Previous Valuation (%)
Gross Investment Return	See below	4.79
RPI Inflation	3.00	2.60
Risk Discount Rate	See below	7.20

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

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

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

The gilt spot yield curve + 10bp at the valuation date is:

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

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

3. With-Profits Benefits Reserve Liabilities

3 (1)

Product Type	Method	With-profits Benefit Reserve (£ M)	Future Policy Related Liabilities (£ M)
With-profits – Whole Life	Prospective	45	(3)
With-profits – Other Life	Retrospective	2,094	(140)
With-profits – Pensions (Regular and Single Premium)	Retrospective	1,689	877
With-profits – Pensions (Paid-Up)	Prospective	582	302
UWP Life	Retrospective	115	(2)
Other		10	
TOTAL		4,535	1,035

(2) Not applicable.

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

4. With-Profits Benefits Reserve – Retrospective Method

4 (1) (a), (b)

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

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

(2) (a) There have been no significant changes to the valuation method for any types of product or classes of with-profits insurance contracts.

(b) Not applicable.

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

(b) Expense investigations are carried out twice every year

- (c) In respect of expenses allocated to the with-profits benefits reserve during the financial year in question:

(i) Initial Expenses	£Nil ¹
(ii) Maintenance Expenses	£12.5m
(iii) Method	average expense charge deducted
(iv) Expenses charged other than to with-profits benefits reserve	N/A

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

Investment expenses were deducted from the with-profits benefits reserve at the rate of 0.142% p.a..

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

	Current Year	Previous Year
Net losses on non-profit business	77.9	19.2
Proportion of up-front outsourcing costs attributable to the period	4.4	4.4
Write-off of initial spreads on derivative contracts	16.0	16.0
Capital support costs	1.9	11.3
Charges for guarantees and smoothing	58.5	18.9

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

	Endowment Policies	Regular Premium Personal Pension Plan	Single Premium Personal Pension Plan	Regular Premium Executive Benefits Plan	Single Premium Executive Benefits Plan
1/1/2003 to 30/4/2003					
10 year term	105	100	100	100	100
15 year term	100	100	100	100	100
20 year term	100	100	100	100	105
25 year term	100	100			
1/5/2003 to 31/8/2003					
10 year term	102	101	100	99	105
15 year term	99	98	100	100	103
20 year term	99	99	104	101	110
25 year term	104				
1/9/2003 to 31/12/2003					
10 year term	100	101	108	98	113
15 year term	96	99	105	95	106
20 year term	95	95	95	98	99
25 year term	95				

	Endowment Policies	Regular Premium Personal Pension Plan	Single Premium Personal Pension Plan	Regular Premium Executive Benefits Plan	Single Premium Executive Benefits Plan
1/1/2004 to 17/8/2004					
10 year term	100	100	104	101	109
15 year term	98	99	102	97	107
20 year term	98	98	98	98	98
25 year term	98				
18/8/2004 to 31/12/2004					
10 year term	98	98	98	97	99
15 year term	98	98	106	94	114
20 year term	98	98	99	98	98
25 year term	98				
1/1/2005 to 30/04/2005					
10 year term	100	104	99	98	104
15 year term	102	101	110	96	117
20 year term	98	101	100	102	102
25 year term	99				
1/5/2005 to 31/8/2005					
10 year term	100	104	100	95	108
15 year term	95	100	107	95	109
20 year term	95	95	98	95	97
25 year term	95				
1/9/2005 to 31/12/2005					
10 year term	101	105	105	98	113
15 year term	96	101	103	99	105
20 year term	92	96	102	95	102
25 year term	93				

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

Year	
2003	98.0% to 100.0%
2004	98.0%
2005	91.0% to 95.0%

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

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

Product Type	Investment Return
Conventional Life	12.4%
Conventional Pensions	11.7%
UWP Bond	5.4%
Other UWP Life	16.7%

5. With-Profits Benefits Reserve – Prospective Method

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

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

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

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

- (a) The discount rate is 5.15% p.a., which is the same as the investment return assumption. This is consistent with the calculation of the supportable bonus rates.
- (b) The investment return is 5.15% p.a. (net of investment management expenses).
- (c) Expense inflation is 6.80% p.a., which is the rate that underlies the supportable bonus rates for this product.
- (d) Future reversionary bonuses are assumed to be 0.1%p.a.

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

Sample terminal bonus rates are as follows:

Elapsed Term in Years	Year of Payment							
	2006	2011	2016	2021	2026	2031	2036	2041
10	0.00%	19.60%						
15	6.60%	12.80%	28.20%					
20	24.50%	24.50%	34.20%	38.10%				
25	68.20%	46.20%	40.40%	44.30%	53.40%			
30	192.30%	105.70%	72.30%	57.80%	64.70%	71.90%		
35	519.30%	246.70%	153.00%	88.50%	74.90%	92.00%	101.40%	
40	913.90%	639.00%	310.00%	209.00%	115.40%	98.60%	119.10%	123.90%

- (e) The assumed per policy maintenance expense for with-profits whole life business is £28.65 for 2006, which is the rate that underlies the supportable bonus rates for this product.
- (f) There are no lapses.

Paid-Up With-Profits Pensions Business

- (a) The discount rate is 5.625% p.a., which is the same as the investment return assumption. This is consistent with the calculation of the supportable bonus rates.
- (b) The investment return is 5.625% p.a.

- (c) Expense inflation is 6.8% p.a., which is the rate that underlies the supportable bonus rates for this product.
- (d) Future reversionary bonuses are assumed to be 0.1% p. a. on personal pension deferred annuities and 0.05% p.a. for other products.

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

Sample terminal bonus rates are as follows:

Personal Pension Plan

Elapsed Term in Years	Year of Payment							
	2006	2011	2016	2021	2026	2031	2036	2041
5	0.00%							
10	0.00%	3.20%						
15	0.00%	0.00%	5.60%					
20	0.00%	0.00%	3.90%	7.10%				
25	N/A	0.00%	2.50%	3.60%	5.70%			
30	N/A	N/A	0.00%	9.80%	11.30%	13.80%		
35	N/A	N/A	N/A	7.20%	19.20%	18.20%	22.90%	
40	N/A	N/A	N/A	N/A	12.00%	26.60%	22.30%	28.40%

Executive Benefits Plan

Elapsed Term in Years	Year of Payment							
	2006	2011	2016	2021	2026	2031	2036	2041
5	15.00%							
10	3.00%	14.60%						
15	6.90%	7.80%	14.60%					
20	13.70%	0.00%	1.60%	2.80%				
25	17.20%	19.50%	0.00%	0.00%	4.00%			
30	N/A	6.30%	23.20%	5.80%	5.90%	10.00%	N/A	
35	N/A	N/A	6.90%	0.00%	5.40%	14.40%	N/A	N/A
40	N/A	N/A	N/A	30.30%	32.20%	N/A	N/A	N/A

Personal Pension Plan (Deferred Annuity)

Elapsed Term in Years	Year of Payment			
	2006	2011	2016	2021
25	33.60%			
30	70.60%	33.60%		
35	227.90%	61.50%	36.20%	
40	343.50%	220.20%	89.70%	38.00%

- (e) The assumed per policy maintenance expense for with-profits paid up pensions business is £28.65 for 2006, which is the rate that underlies the supportable bonus rates for this product.
- (f) There are no lapses.

(2) Not applicable.

6. Cost of guarantees, options and smoothing

6. (1) Not applicable

6. (2)

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	Deterministic calculation	All business	373,684	6,831

6. (2) (a)

Cost of Guarantees & Options

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

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

The calculations were carried out using a risk neutral approach.

Format of the GARs

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

Product	Weighting Factor
Fowler PPP (non DSS)	90%
Fowler PPP (DSS)	118%
Transfer Plan	81%
Executive Benefit Plan	89%
Pension Reserve	82%
Retirement Security Plan	92%
Additional Pension Plan	99%
PP DA	100%
PPP '81	91%

Early Retirements

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

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

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

Personal Pension Deferred Annuity (PPDA)

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

Cost of Smoothing

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

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

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

Where there is currently an overpayment relative to the target we anticipate a change to terminal bonus rates effective from 1st January 2006 and assume that payouts can be cut by up to 5% at declarations every 4 months limited to 15% over a 12 month period.

In the stress scenarios the maximum cut increases to 10% each time and 25% in any 12 months.

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

6.(2)(b) (i) None

(ii) All of the contracts are valued on a grouped basis.

(iii) For each product type we initially create separate model points for each combination of year of commencement and year of maturity. For unitised with profits bonds we split by commencement month.

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

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

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

6. (3) Not applicable.

6. (4) (a) (i) The following tables give an indication of the extent to which the guarantees are in or out of the money at 31st December 2005. The table shows the percentage of the with profits benefits reserve (including miscellaneous profit items) for each product that falls within each band. The bands are defined below,

	Band A	Band B	Band C	Band D
Endowments & Whole Life	4.2%	0.3%	0.4%	95.1%
Conventional Pensions	43.6%	20.0%	17.2%	19.2%
Unitised With Profit Bond	100%	0%	0%	0%

Where

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

6. (4) (a) (ii)

The asset returns in the stochastic model were generated by a proprietary model purchased from Barrie & Hibbert.

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

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

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

The volatilities used for UK equities are set out in 6(4)(a)(vi). The split between UK and overseas equities was 65%/35%

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

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

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

(a) (iii)

App 1													
	Asset type (all UK assets)	K=0.75				K=1				K=1.5			
n		5	15	25	35	5	15	25	35	5	15	25	35
r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	4.29%	4.19%	4.08%	3.98%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	£810,536	£540,020	£368,358	£255,340	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	£55,282	£205,650	£305,456	£390,655	£147,173	£341,160	£467,381	£572,429	£520,864	£688,295	£841,643	£970,669
3	FTSE All Share Index (p=0.8)	£47,839	£165,380	£228,110	£271,794	£127,993	£275,880	£349,619	£400,678	£465,596	£559,395	£634,143	£684,536
4	Property (p=1)	£33,287	£103,221	£165,105	£231,869	£136,102	£235,439	£315,964	£397,843	£521,014	£609,107	£692,983	£787,145
5	Property (p=0.8)	£26,086	£70,209	£101,176	£134,160	£114,333	£169,348	£204,582	£240,569	£466,539	£469,844	£481,708	£505,939
6	15 year risk free zero coupon bonds (p=1)	£4,025	£9,448	£9,414	£14,290	£57,016	£63,899	£72,675	£117,201	£500,186	£500,082	£502,840	£528,560
7	15 year risk free zero coupon bonds (p=0.8)	£2,534	£4,627	£3,524	£2,307	£40,293	£27,843	£16,659	£16,858	£439,481	£329,137	£247,954	£221,159
8	15 year corporate bonds (p=1)	£5,675	£16,893	£26,933	£42,187	£66,064	£87,117	£109,567	£148,371	£503,192	£508,356	£517,266	£548,352
9	15 year corporate bonds (p=0.8)	£3,661	£8,001	£10,145	£11,911	£48,513	£44,282	£42,176	£46,034	£442,487	£338,870	£271,263	£248,030
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£30,815	£135,002	£215,718	£289,622	£117,427	£261,484	£363,144	£455,310	£509,549	£612,893	£725,259	£837,100
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£25,080	£100,340	£149,675	£186,500	£98,193	£199,324	£255,012	£298,513	£452,411	£480,093	£521,991	£561,521
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£23,806	£118,295	£191,810	£258,754	£100,355	£235,912	£330,455	£417,155	£504,688	£582,653	£685,822	£789,538
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£19,043	£86,640	£130,201	£163,150	£82,330	£177,925	£228,644	£267,118	£445,445	£448,534	£483,857	£519,438
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£9,041	£61,409	£113,920	£166,147	£75,863	£166,677	£237,204	£308,317	£502,020	£532,893	£594,890	£675,965
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£6,273	£38,081	£65,361	£88,974	£58,019	£111,668	£144,993	£173,264	£441,624	£387,483	£387,923	£406,252
		L=15				L=20				L=25			
16	Swaptions with 5% strikes	9.82%	9.23%	7.52%	5.76%	12.30%	11.38%	9.21%	7.02%	14.45%	13.17%	10.59%	8.05%

6. (4) (a) (iv) UK initial equity yield: 3.56%
UK initial property rental yield: 4.30%

(v) Not applicable – there are no significant territories other than the UK.

(vi) The following tables show the amounts of guarantees analysed by term. In addition the guarantees in column B have a GAR at vesting at various strike rates as shown below.

£m	Guaranteed Benefit (Policies With No GAR)	Guaranteed Benefit (Policies With GAR)	PPPDA (Guaranteed Cash)	No MVA Guarantee (Bonds)
	A	B	C	D
2006	151	86	0	50
2007	148	101	0	42
2008	246	104	1	0
2009	205	124	1	0
2010	141	124	1	-
2011	209	145	2	-
2012	245	160	3	-
2013	268	152	1	-
2014	187	150	2	-
2015	186	153	3	-
2016	78	167	4	-
2017	41	158	3	-
2018	44	157	2	-
2019	32	153	2	-
2020	6	157	1	-
2021	3	156	1	-
2022	2	145	1	-
2023	1	158	1	-
2024	1	160	0	-
2025	1	160	0	-
2026	2	150	1	-
2027	2	141	0	-
2028	1	141	0	-
2029	0	136	-	-
2030	0	119	-	-
2031	2	96	-	-
2032	3	83	0	-
2033	0	68	-	-
2034	-	54	-	-
2035	0	43	-	-
2036	2	31	-	-
2037	4	20	-	-
2038	-	11	-	-
2039	-	5	-	-
2040	40	4	-	-

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

	Retirement Age	Male	Female
Executive Benefits Plan ¹	60	86.58	78.43
	65	100	88.5
	70	117.65	102.04
Personal Pension Plan ²	60	92.6	82.5
	65	109.3	94.2
	70	133.8	111.3
	75	170.3	136.7

¹ guaranteed five years and payable monthly in advance

² payable annually in arrears

UK Equities

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

Implied volatility data (%) at 31 December 2005 is shown below:

Market

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

Model

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

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

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

Difference (Model – Market) %

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

Property

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

Fixed Interest

A LIBOR Market Model calibrated to Gilts + 10 basis points is used. The calibration at 31 December 2005 was as follows:

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

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at 31 December 2005 is as follows:

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

Credit (Corporate Bonds)

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

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

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

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

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

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

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

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

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

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

(b) Not applicable

(c) Not applicable

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

- a) Re-balancing of property and equities during 2006 to bring the actual asset mix into balance with the strategic target.
- b) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.
- c) An internal delta-hedge for equities and property which has an effect in the stress scenario.
- d) Reduction in equity/property backing as policies near guarantee date.
- e) We assume that policy classes do not move from the guarantee-related asset mix band to which they are allocated at 31 December 2005, although in practice some change will occur in more extreme stochastic scenarios.
 - We will continue to apply existing MVA policy i.e. we allow for MVA's on surrender of UWP business (but with a "floor" based on a discounted value of the no MVA guarantee).
 - Annual bonus rates will remain at 31 December 2005 levels in future years.
 - Future miscellaneous surplus will be nil.
- (f) Except when less than the discounted value of maturity guarantees, exit charges on surrender will be 5% higher than on maturity. This differential reduces to nil over the last 10 years of the policy term

6. (5) (b)

		31/12/05	31/12/10	31/12/15
% UK & Overseas Equities	i	15%	11%	10%
	ii	Unchanged	Unchanged	Unchanged
	iii	Unchanged	Unchanged	Unchanged

Annual Bonus Rates on accumulating with profits				
<u>UWPB</u>	i	0.5%p.a.	0.5%p.a.	0.5%p.a.
	ii	Unchanged	Unchanged	Unchanged
	iii	Nil	Nil	Nil

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

6. (6) Persistency Assumptions

The surrender rates are:

Policy Year	<i>Prophet Category</i>	1	2	3	4	5	6	7	8	9	10	11&+
Product		%	%	%	%	%	%	%	%	%	%	%
Executive Pensions AP		7	6	5	5	5	4	4	4	4	4	4
Executive Pensions SP		11	11	11	11	11	11	11	11	11	11	11
Executive Pensions PUPs		3	3	3	3	3	3	3	3	3	3	3
Other Endowments		1	1	1	2	4	3	4	3	3	4	3
Mortgage endowments		3	3	3	3	3	4	4	4	6	8	6
Level Term		15	5	5	5	5	5	6	7	8	8	4
DTAs		8	8	17	9	8	9	11	11	11	10	9
Personal pensions AP		14	15	10	6	4	4	4	4	4	4	3
Personal Pensions SP (*)		1.8	1.8	1.9	1.9	2.4	1.7	2.0	1.6	2.4	2.1	2.2
Personal Pensions PUPs		13	13	13	8	7	7	6	5	5	5	4
UWP Bond		1	1	2	2	3	17	20	20	13	90 (**)	10
Other UWP Life		12	12	12	16	9	15	9	16	10	14	8
Transfer Plan		2	1	2	2	3	1	1	1	1	1	2

(*) Fowler DSS policies are included in Personal Pensions SP category

(**) It is assumed that all of this 90% attracts the guarantee.

The paid-up rates are:

Policy Year	<i>Prophet Category</i>	1	2	3	4	5	6	7	8	9	10	11&+
Product		%	%	%	%	%	%	%	%	%	%	%
Executive Pensions AP		14	12	10	10	10	8	8	8	8	8	8
Personal Pensions AP		1	6	10	8	11	8	8	7	8	7	4

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

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

We do not make any other allowance for early retirements.

Take up Rates of Guaranteed Annuity Options

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

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

where

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

and

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

where

L	Overall limit on cash proportion - set it to 1.25 x C
C	Current experience assumption
F	Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable.
R	Reduction factor that applies outside of central "plateau" range (R=2/3)
R'	Reduction factor that applies within central "plateau" range (R'=0.9)
k(j)	Interim calculation variable depending on i, j, and semirange
semirange	Central "plateau" assumed to apply over a range from (i-semirange) to (i + semirange). Set at 1%.
t	Time in years from the valuation date
T	Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30)
S	Amount of longevity decline (S=3 so that cash declines by 1/3 over T years)
i	Average 20 year interest rate over the period used to set the current experience assumption. This is 4.56% at 31/12/2005
j	20 year gilt rate at maturity for the particular scenario

Annuitant Mortality

The mortality assumption for annuities in possession arising from the exercising of guaranteed annuity options is 5% higher than that described in Appendix 9.4, paragraph 4.4

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

7. Financing costs

There is a financing arrangement in place to provide support to the long-term fund. For the purposes of the realistic valuation £66.315m is deemed not repayable being the amount required to produce a value of zero on line 68 of Form 19 and is included as an item within the reconciliation of regulatory and realistic current liabilities in section 9.

8. Other long-term insurance liabilities

(a) Endowment Compensation Reserve

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

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

The liability as at the valuation date amounted to £45.0m

(b) Additional Guaranteed Annuity Option Reserve

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

The liability as at the valuation date amounted to £89.0m.

(c) Data Error Provision

A liability of £20.0m has been included for additional expenses which may arise in connection with data errors affecting the long-term business.

(d) Litigation Costs and potential other costs

A liability of £14.5m has been included for future litigation settlements and other similar costs.

(e) Other additional reserves

A liability of £13.1m has been included.

9. Realistic Current Liabilities

(a) Future Tax Profit

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

The liability as at the valuation date amounted to -£34.1m, i.e. the future tax profit is an asset.

(b) Additional Tax on Shareholder Transfers

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

The liability at the valuation date amounted to £5.7m.

(c) Future Reinsurance Profits

The Company reinsures part of its endowment and whole life liabilities to Phoenix Life Limited (“PLL”) and part of its UWP Bond liabilities to Phoenix Life & Pensions Limited (“PLP”).

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

At the valuation date the value of these excesses amounted to £93.3m in respect of reinsurances to PLL and £3.5m in respect of the reinsurances to PLP.

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

Regulatory Current Liabilities	453
Future Tax Profit	-34
Additional Tax on Shareholder Transfers	6
Reinsurances	-97
Contingent Loan required on realistic basis	-66
Realistic Current Liabilities	262

10. Risk Capital Margin

- (a) The risk capital margin amounts to £230m.
- (i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%.
- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.72%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.
- (iii) (a) The average change in spread for bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is 0.47%.

The change in the market value of bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is –2.90%.

- (b) not applicable
(c) not applicable
(d) not applicable

- (e) The change in the market value of swaps is –42.7%.

In addition, application of the credit risk scenario reduces the value of the present value of future profits on non-profit insurance contracts written in the fund by £11.6m.

- (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is +2.4%.
- (v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

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

- Annual bonus rates will be reduced (to nil on traditional business and UWP business)
- The impact of the combined stress will be partially offset by increasing guarantee charges. We assume that exit charges on maturity/normal retirement increase from the base scenario assumption of 9.1% of asset share reducing to 0% over 9 years to an increased assumption of 11.25% reducing to 0% over 9 years and that the annual guarantee charge increases from 0.90% of asset share to 1.25% of asset share.

These actions are consistent with our PPFM and investment strategy.

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

(ii) Not applicable.

11. Tax

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

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

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

12. Derivatives

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

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

The interest rate swaptions are held in respect of the GAR liabilities. Receiver swaptions are held to cover part of the GAR liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the with-profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments. The quantum of swaptions held is based on a prudent assessment of future GAR liabilities taking account of expected future lapse rates and take up rates. The duration and tenor of the swaptions corresponds broadly with the liabilities.

The strike rates for the receiver swaptions are 5%. The strike rates for the payer swaptions vary according to the rate at which it is expected the cash option will become more valuable than the GAR allowing for future improvements in mortality.

Both the swaps and swaptions are wholly sterling denominated.

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

13. Analysis of Working Capital

£m	With Profits Benefit Reserve Plus Planned Enhancements Less Past Deficits	Other Liabilities ⁽¹⁾	Working Capital
Opening value per Forms 18 & 19			
With profits benefits reserve	4,548		
Planned enhancements	3		
Past miscellaneous deficit attributed to with profits benefit reserve	(98)		
Total	<u>4,454</u>		
Mathematical reserves for non-profit business		2,825	
LTICR for non-profit business		0	
Present value of future profits on non-profit business		(116)	
Planned deductions for the cost of guarantees, options and smoothing from with-profits benefit reserve		(349)	
Future cost of contractual guarantees		420	
Future cost of financial options		690	
Future cost of smoothing		11	
Other long term insurance liabilities		167	
Financing costs		0	
Realistic current liabilities		<u>288</u>	
Total		<u>3,936</u>	
Working capital			0
Opening value	4,454	3,936	0
Effect of:			
Retrospective changes to with profits benefits reserve owing to finalisation of investment returns and miscellaneous surplus for previous year	9	13	(22)
Modelling / data changes	0	(2)	2
Change in contingent loan	0	0	(4)
Premiums ⁽²⁾	134	(2,081)	0
Claims ⁽²⁾	(495)	(69)	0
Expenses	(21)	(7)	(1)
Tax and changes in provisions for future tax	(44)	(9)	8
Investment return ⁽³⁾	544	418	(32)
Shareholder transfers	(4)	0	0
Compensation costs	0	(3)	(13)
Non-economic factors affecting guarantee costs	0	0	(0)
Guarantee costs in period ex GAOs	8	(8)	0
Change in method of calculating value of non-profit business	0	17	(17)
Changes in other provisions	0	(20)	(6)
Guarantee charges in period ⁽⁴⁾	(58)	0	58
Change in value of future charges ⁽⁴⁾	0	(18)	18
Miscellaneous profits/ losses ⁽⁵⁾	(59)	72	(13)
Change in value of planned enhancements	(1)	0	0
Other/unexplained	15	(33)	23
Total	<u>4,481</u>	<u>2,207</u>	<u>0</u>
Closing value per Forms 18 & 19			
With profits benefits reserve	4,535		
Planned enhancements to with profits benefit reserve	2		
Past miscellaneous deficit attributed to with profits benefit reserve	(57)		
Total	<u>4,481</u>		
Mathematical reserves for non-profit business		888	
LTICR for non-profit business		0	
Present value of future profits on non-profit business		(32)	
Planned deductions for the cost of guarantees, options and smoothing from with-profits benefit reserve		(366)	
Future cost of contractual guarantees		421	
Future cost of financial options		853	
Future cost of smoothing		0	
Other long term insurance liabilities		182	
Financing costs		0	
Realistic current liabilities		<u>262</u>	
Total		<u>2,207</u>	
Working capital			0

Notes to the analysis of working capital

1. Other liabilities are net of relevant assets such as the value of future guarantee charges and value of non-profit business.
2. Any differences between the actual premiums and claims and those implicit in the non-profit liabilities are included in either miscellaneous profits/losses on non-profit business or other/unexplained rather than directly affecting the working capital.
3. The investment return line shows the effect on the with profits benefits reserve of the investment return credited to asset shares in the period; for other liabilities it is the effect of economic experience in the period.
4. Guarantee charges in the period is the amount charged to asset shares in the period. The change in the value of charges is the difference between the value of charges at the start and end of the period. Hence the total effect of guarantee charges is to increase the working capital by £76m.
5. Miscellaneous profits and losses represents the effect of charges for miscellaneous profits and losses in the period together with the effect of changes in past miscellaneous deficit attributed to the with profits benefit reserve.
6. A number of approximations are made in producing this analysis.

Long term insurance business : Summary of new businessName of insurer **Phoenix and London Assurance Limited**

Total business

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

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Number of new policyholders/scheme members for direct insurance business						
Regular premium business	11	92	299		391	
Single premium business	12		3962	12	3974	
Total	13	92	4261	12	4365	
Amount of new regular premiums						
Direct insurance business	21	119	411		531	
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	119	411		531	
Amount of new single premiums						
Direct insurance business	25		88177	505	88682	
External reinsurance	26					
Intra-group reinsurance	27					
Total	28		88177	505	88682	

Long term insurance business : Analysis of new business

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

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	92	119		

Long term insurance business : Analysis of new business

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

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
155	Conventional pensions endowment with-profits	1	2	73	68
395	Annuity non-profit (PLA)			3817	80725
725	Individual pensions property linked	196	248	9	47
735	Group money purchase pensions property linked	102	162	3	21
905	Index linked annuity			60	7317

Long term insurance business : Analysis of new business

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

Total business

Financial year ended **31st December 2005**

Units **£000**

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			12	505

Long term insurance business : Non-linked assetsName of insurer **Phoenix and London Assurance Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirement						
Land and buildings	11					
Approved fixed interest securities	12	598967	610230	27781	4.11	
Other fixed interest securities	13	224244	228461	10472	4.74	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	15480				
Total	19	838691	838691	38253	4.29	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	471185	471185	24221	5.14	28.5
Approved fixed interest securities	22	2613292	2662434	121209	4.11	7.9
Other fixed interest securities	23	1679464	1711046	78428	4.74	7.9
Variable interest securities	24	217604	217604	6818	2.71	5.6
UK listed equity shares	25	300366	300606	8895	4.23	22.3
Non-UK listed equity shares	26	163085	172324	2806	3.32	26.3
Unlisted equity shares	27					
Other assets	28	314231	224027	6714	3.00	5.6
Total	29	5759227	5759226	249091	4.27	12.1
Overall return on with-profits assets						
Post investment costs but pre-tax	31					12
Return allocated to non taxable 'asset shares'	32					11.6
Return allocated to taxable 'asset shares'	33					9.8

Long term insurance business : Fixed and variable interest assetsName of insurer **Phoenix and London Assurance Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	2663715	11.66	4.10	4.10
Other approved fixed interest securities	21	548544	11.53	4.35	4.35
Other fixed interest securities					
AAA/Aaa	31	503427	12.32	4.53	4.45
AA/Aa	32	491139	8.31	4.70	4.58
A/A	33	708152	7.71	4.90	4.66
BBB/Baa	34	89945	7.54	5.35	4.70
BB/Ba	35				
B/B	36	12007	6.58	6.51	
CCC/Caa	37				
Other (including unrated)	38	99038	0.07	4.67	4.50
Total other fixed interest securities	39	1903708	8.67	4.77	4.55
Approved variable interest securities	41	126030	9.84	1.52	1.52
Other variable interest securities	51	91574	9.42	4.35	4.13
Total (11+21+39+41+51)	61	5333571	10.50	4.31	4.23

Long term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix and London Assurance Limited**Total business/subfund **Ordinary Long Term Business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	1586201	3575571	15305	5177077	
Form 51 - non-profit	12	306598	710695	30087	1047380	
Form 52	13	386979	165227		552206	
Form 53 - linked	14	57184	893874		951058	
Form 53 - non-linked	15	869	24142		25011	
Form 54 - linked	16	21665	22621	1175	45461	
Form 54 - non-linked	17					
Total	18	2359494	5392131	46567	7798192	
Reinsurance - external						
Form 51 - with-profits	21	945			945	
Form 51 - non-profit	22	10602	108	4190	14901	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	11548	108	4190	15846	
Reinsurance - intra-group						
Form 51 - with-profits	31	9470			9470	
Form 51 - non-profit	32	193255	786	103	194144	
Form 52	33	272112	165744		437856	
Form 53 - linked	34	53649	893874		947523	
Form 53 - non-linked	35	513	24142		24655	
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	528999	1084546	103	1613648	
Net of reinsurance						
Form 51 - with-profits	41	1575786	3575571	15305	5166661	
Form 51 - non-profit	42	102740	709802	25794	838335	
Form 52	43	114867	(517)		114350	
Form 53 - linked	44	3535			3535	
Form 53 - non-linked	45	356			356	
Form 54 - linked	46	21665	22621	1175	45461	
Form 54 - non-linked	47					
Total	48	1818948	4307476	42274	6168698	

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

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits - Whole life assurance (compound bonus)	4844	57529	825	n/a	n/a	n/a	27628
120	Conventional endowment with-profits OB savings - Endowment insurance (compound bonus)	8753	66029	1669	n/a	n/a	n/a	49039
125	Conventional endowment with-profits OB target cash - Endowment insurance (compound bonus)	154989	2784368	65050	n/a	n/a	n/a	1389873
120	Conventional endowment with-profits OB savings - Endowment plus pure endowment (compound bonus)	37631	136437	13226	n/a	n/a	n/a	103227
120	Conventional endowment with-profits OB savings - Pure endowment (compound bonus)	1			n/a	n/a	n/a	
210	Additional reserves with profits OB - Extra premiums			201	n/a	n/a	n/a	201
100	Conventional whole life with-profits - Whole life assurance (former simple bonus)	391	276	1	n/a	n/a	n/a	230
120	Conventional endowment with-profits OB savings - Endowment insurance (former simple bonus)	142	610	3	n/a	n/a	n/a	586

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

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
125	Conventional endowment with-profits OB target cash - Endowment insurance (former simple bonus)	14	68		n/a	n/a	n/a	65
210	Additional reserves with profits OB - Additional reserves				n/a	n/a	n/a	15350
300	Regular premium non-profit WL/EA OB - Whole life assurance	41472	81884	4226	n/a	n/a	n/a	35289
305	Single premium non-profit WL/EA OB - Whole life assurance	5	5		n/a	n/a	n/a	5
300	Regular premium non-profit WL/EA OB - Endowment insurance	16460	21873	22	n/a	n/a	n/a	20503
305	Single premium non-profit WL/EA OB - Endowment insurance	1			n/a	n/a	n/a	
300	Regular premium non-profit WL/EA OB - Endowment plus pure endowment	861	649		n/a	n/a	n/a	647
305	Single premium non-profit WL/EA OB - Endowment plus pure endowment	7	1		n/a	n/a	n/a	1
325	Level term assurance - Individual business	26614	2386321	8805	n/a	n/a	n/a	23694
330	Decreasing term assurance - Individual business	10880	372300	2329	n/a	n/a	n/a	1101

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

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
435	Miscellaneous non-profit - Term assurances - other	1628	91961	656	n/a	n/a	n/a	24
325	Level term assurance - Progressive Protection Plan	38575	7102563	16198	n/a	n/a	n/a	15884
440	Additional reserves non-profit OB - Extra Premiums			472	n/a	n/a	n/a	472
305	Single premium non-profit WL/EA OB - Money Accumulator	955	2834	25	n/a	n/a	n/a	2879
435	Miscellaneous non-profit - Miscellaneous	112	31621	49	n/a	n/a	n/a	611
390	Deferred annuity non-profit - Deferred annuities (old series)	92	5		n/a	n/a	n/a	171
395	Annuity non-profit (PLA) - Annuities in payment (old series)	1115	1244		n/a	n/a	n/a	14980
395	Annuity non-profit (PLA) - Reversionary annuities (old series)	53	63		n/a	n/a	n/a	318
395	Annuity non-profit (PLA) - Annuities in payment (new series)	435	969		n/a	n/a	n/a	12293
395	Annuity non-profit (PLA) - Reversionary annuities (new series)	1	18		n/a	n/a	n/a	138

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

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance - Group business		10253	61	n/a	n/a	n/a	91
410	Group Life - Group life	54	76655	4	n/a	n/a	n/a	155
390	Deferred annuity non-profit - Deferred annuities (old series annuities)	690	34		n/a	n/a	n/a	782
440	Additional reserves non-profit OB - IBNR				n/a	n/a	n/a	975
360	Income protection non-profit (guaranteed premiums) - Permanent Health Insurance	32048	432648	9940	n/a	n/a	n/a	110124
385	Income protection claims in payment - Permanent Health Insurance		5487		n/a	n/a	n/a	38841
360	Income protection non-profit (guaranteed premiums) - Extra premiums			1758	n/a	n/a	n/a	16702
380	Miscellaneous protection rider - Living Benefit (UPP)		322000	609	n/a	n/a	n/a	167
380	Miscellaneous protection rider - Medical Expenses Benefits (UPP)		3260	13	n/a	n/a	n/a	4
355	Stand-alone critical illness (reviewable premiums) - Living Benefit (PPP) - CIC stand alone	8276	845138	2789	n/a	n/a	n/a	4183

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

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
345	Accelerated critical illness (reviewable premiums) - Living Benefit (PPP) - CIC accelerated		876820	2692	n/a	n/a	n/a	4038
365	Income protection non-profit (reviewable premiums) - Group Permanent Health Insurance	6	14898		n/a	n/a	n/a	1501
440	Additional reserves non-profit OB - IBNR				n/a	n/a	n/a	25

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB - Whole life assurance (compound bonus)		1387	4	n/a	n/a	n/a	945
300	Regular premium non-profit WL/EA OB - Whole life assurance		918	2	n/a	n/a	n/a	344
300	Regular premium non-profit WL/EA OB - Endowment insurance		7		n/a	n/a	n/a	3
325	Level term assurance - Individual business		102649	401	n/a	n/a	n/a	912
330	Decreasing term assurance - Individual business		35641	224	n/a	n/a	n/a	88
435	Miscellaneous non-profit - Term assurances - other		7259	45	n/a	n/a	n/a	
435	Miscellaneous non-profit - Miscellaneous		50831	234	n/a	n/a	n/a	4285
360	Income protection non-profit (guaranteed premiums) - Permanent Health Insurance		12979	298	n/a	n/a	n/a	3304
385	Income protection claims in payment - Permanent Health Insurance		165		n/a	n/a	n/a	1165
360	Income protection non-profit (guaranteed premiums) - Extra premiums			53	n/a	n/a	n/a	501

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB - Whole life assurance (compound bonus)		112		n/a	n/a	n/a	76
120	Conventional endowment with-profits OB savings - Endowment insurance		954	29	n/a	n/a	n/a	700
125	Conventional endowment with-profits OB target cash - Endowment insurance		13470	414	n/a	n/a	n/a	6907
120	Conventional endowment with-profits OB savings - Endowment plus pure endowment		2058	106	n/a	n/a	n/a	1787
300	Regular premium non-profit WL/EA OB - Whole life assurance		285	1	n/a	n/a	n/a	107
300	Regular premium non-profit WL/EA OB - Endowment insurance		2		n/a	n/a	n/a	1
325	Level term assurance - Individual business		920496	3600	n/a	n/a	n/a	8177
330	Decreasing term assurance - Individual business		319610	2010	n/a	n/a	n/a	788
435	Miscellaneous non-profit - Term assurances - other		65092	401	n/a	n/a	n/a	1
325	Level term assurance - Progressive Protection Plan		6562240	14910	n/a	n/a	n/a	14920

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

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

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

Financial year ended **31st December 2005**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
440	Additional reserves non-profit OB - Extra Premiums			537	n/a	n/a	n/a	537
395	Annuity non-profit (PLA) - Annuities in payment (old series annuities)		1		n/a	n/a	n/a	2
360	Income protection non-profit (guaranteed premiums) - Permanent Health Insurance		419669	9641	n/a	n/a	n/a	106820
385	Income protection claims in payment - Permanent Health Insurance		5322		n/a	n/a	n/a	37676
360	Income protection non-profit (guaranteed premiums) - Extra premiums			1705	n/a	n/a	n/a	16201
380	Miscellaneous protection rider - Living Benefit (UPP)		322000	609	n/a	n/a	n/a	167
380	Miscellaneous protection rider - Medical Expenses Benefits (UPP)		3260	13	n/a	n/a	n/a	4
355	Stand-alone critical illness (reviewable premiums) - Living Benefit (PPP) - CIC stand alone		817337	2714	n/a	n/a	n/a	4070
345	Accelerated critical illness (reviewable premiums) - Living Benefit (PPP) - CIC accelerated		809561	2522	n/a	n/a	n/a	3784

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits - Transfer Plan	10584	409207		n/a	n/a	n/a	383802
155	Conventional pensions endowment with-profits - Pension Reserve (Ongoing premiums)	839	22822	730	n/a	n/a	n/a	15404
155	Conventional pensions endowment with-profits - Pension Reserve (Other)	1384	10509		n/a	n/a	n/a	10018
155	Conventional pensions endowment with-profits - Personal Pension Plan (Ongoing Premiums)	16404	744210	15144	n/a	n/a	n/a	561779
155	Conventional pensions endowment with-profits - Personal Pension Plan (Other)	83735	2271744		n/a	n/a	n/a	1776618
165	Conventional deferred annuity with-profits - Deferred annuities (PPP) (Ongoing Premiums)	3299	19157	739	n/a	n/a	n/a	147117
165	Conventional deferred annuity with-profits - Deferred annuities (PPP) (Other)	6450	23680		n/a	n/a	n/a	113589
165	Conventional deferred annuity with-profits - Reversionary annuities (PPP)		88	4	n/a	n/a	n/a	54
210	Additional reserves with profits OB - Extra Premiums			189	n/a	n/a	n/a	236
210	Additional reserves with-profits OB - Pension Compensation Reserve				n/a	n/a	n/a	(25)

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
185	Group conventional pensions endowment with-profits - Additional Pension Plan (Ongoing Premiums)	1381	7549	222	n/a	n/a	n/a	5106
185	Group conventional pensions endowment with-profits - Additional Pension Plan (Other)	132	11674		n/a	n/a	n/a	11035
185	Group conventional pensions endowment with-profits - Executive Benefit Plan (Ongoing Premiums)	1024	117461	2348	n/a	n/a	n/a	91244
185	Group conventional pensions endowment with-profits - Executive Benefit Plan (Other)	4224	175486		n/a	n/a	n/a	170580
185	Group conventional pensions endowment with-profits - Retirement Security Plan (Ongoing Premiums)	722	45030	1045	n/a	n/a	n/a	29382
185	Group conventional pensions endowment with-profits - Retirement Security Plan (Other)	5775	145490		n/a	n/a	n/a	115422
205	Miscellaneous conventional with-profits - Schemes in course of completion				n/a	n/a	n/a	182
175	Group conventional deferred annuity with-profits - Retirement Fund		177		n/a	n/a	n/a	7051
210	Additional reserves with profits OB - Additional Annuity Guarantee reserve				n/a	n/a	n/a	90500

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
210	Additional reserves with profits OB - Additional reserves				n/a	n/a	n/a	46475
305	Single premium non-profit WL/EA OB - Transfer Plan	93	44213		n/a	n/a	n/a	54606
325	Level term assurance - Individual business	2708	132217	430	n/a	n/a	n/a	1213
435	Miscellaneous non-profit - Term assurances - other	29	185480	49	n/a	n/a	n/a	7282
390	Deferred annuity non-profit - Deferred annuities	1044	2501		n/a	n/a	n/a	41099
400	Annuity non-profit (CPA) - Annuities in payment	4915	11045		n/a	n/a	n/a	143810
400	Annuity non-profit (CPA) - Reversionary annuities	807	3190		n/a	n/a	n/a	12969
305	Single premium non-profit WL/EA OB - Maturities on deposit	3509	31958		n/a	n/a	n/a	66653
380	Miscellaneous protection rider - Waiver of premium	2	8970	99	n/a	n/a	n/a	1635
440	Additional reserves non-profit OB - Extra Premiums			50	n/a	n/a	n/a	77
325	Level term assurance - Group business	295	75816	369	n/a	n/a	n/a	286

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit - Deferred annuities	7847	24472		n/a	n/a	n/a	328567
400	Annuity non-profit (CPA) - Reversionary annuities		271	4	n/a	n/a	n/a	182
390	Deferred annuity non-profit - Retirement Plan	1921	2072		n/a	n/a	n/a	21795
305	Single premium non-profit WL/EA OB - Maturities on deposit		24229		n/a	n/a	n/a	29592
435	Miscellaneous non-profit - Miscellaneous				n/a	n/a	n/a	3
435	Miscellaneous non-profit - Schemes in course of reconstitution		79		n/a	n/a	n/a	190
440	Additional reserves non-profit OB - Extra Premiums			2	n/a	n/a	n/a	2
380	Miscellaneous protection rider - WOP Claims in payment reserve				n/a	n/a	n/a	535
440	Additional reserves non-profit OB - IBNR				n/a	n/a	n/a	201

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance - Individual business		10799	33	n/a	n/a	n/a	78
435	Miscellaneous non-profit - Term assurances - other		646	5	n/a	n/a	n/a	
390	Deferred annuity non-profit - Deferred annuities		1		n/a	n/a	n/a	16
440	Additional reserves non-profit OB - Extra Premiums			3	n/a	n/a	n/a	3
325	Level term assurance - Group business		5850	28	n/a	n/a	n/a	12

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

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

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

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance - Individual business		79423	243	n/a	n/a	n/a	573
435	Miscellaneous non-profit - Term assurances - other		4751	40	n/a	n/a	n/a	
400	Annuity non-profit (CPA) - Annuities in payment		3		n/a	n/a	n/a	9
440	Additional reserves non-profit OB - Extra Premiums			20	n/a	n/a	n/a	20
325	Level term assurance - Group business		43024	206	n/a	n/a	n/a	89
390	Deferred annuity non-profit - Deferred annuities		2		n/a	n/a	n/a	94

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB - Whole life assurance (compound bonus)	27	741	8	n/a	n/a	n/a	345
120	Conventional endowment with-profits OB savings - Endowment insurance	174	2730	73	n/a	n/a	n/a	1659
155	Conventional pensions endowment with-profits - Jersey Prosperity Plan (Ongoing Premiums)	68	3128	100	n/a	n/a	n/a	1712
155	Conventional pensions endowment with-profits - Jersey Prosperity Plan (Other)	201	8295		n/a	n/a	n/a	7106
165	Conventional deferred annuity with-profits - Deferred annuities (PPP) (Ongoing Premiums)	23	90	3	n/a	n/a	n/a	667
165	Conventional deferred annuity with-profits - Deferred annuities (PPP) (Other)	5	12		n/a	n/a	n/a	103
210	Additional reserves with-profits OB - Extra premiums			1	n/a	n/a	n/a	1
185	Group conventional pensions endowment with-profits - Retirement Security Plan (Ongoing Premiums)	3	187	26	n/a	n/a	n/a	231
185	Group conventional pensions endowment with-profits - Retirement Security Plan (Other)	45	3979		n/a	n/a	n/a	2573

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
185	Group conventional pensions endowment with-profits - Additional Pension Plan (Ongoing Premiums)		26	1	n/a	n/a	n/a	32
185	Group conventional pensions endowment with-profits - Additional Pension Plan (Other)		117		n/a	n/a	n/a	88
205	Miscellaneous conventional with-profits - Controlled Fund	1	57	12	n/a	n/a	n/a	782
205	Miscellaneous conventional with-profits - Schemes in course of completion		1		n/a	n/a	n/a	6
300	Regular premium non-profit WL/EA OB - Whole life assurance	26	138	1	n/a	n/a	n/a	101
300	Regular premium non-profit WL/EA OB - Endowment insurance	19	28		n/a	n/a	n/a	26
325	Level term assurance - Individual business	329	43875	181	n/a	n/a	n/a	120
330	Decreasing term assurance - Individual business	208	16060	83	n/a	n/a	n/a	6
435	Miscellaneous non-profit - Term assurances - other	1	31		n/a	n/a	n/a	
390	Deferred annuity non-profit - Deferred annuities	2			n/a	n/a	n/a	

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA) - Annuities in payment	234	1564		n/a	n/a	n/a	23963
400	Annuity non-profit (CPA) - Reversionary annuities	14	246		n/a	n/a	n/a	1666
440	Additional reserves non-profit OB - Extra premiums			18	n/a	n/a	n/a	18
435	Miscellaneous non-profit - Miscellaneous	1	8		n/a	n/a	n/a	8
410	Group Life - Group life	1			n/a	n/a	n/a	10
390	Deferred annuity non-profit - Deferred annuities	95	237		n/a	n/a	n/a	4168

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

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

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

Financial year ended **31st December 2005**

Units **£000**

Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance - Individual business		1299	5	n/a	n/a	n/a	3
330	Decreasing term assurance - Individual business		497	3	n/a	n/a	n/a	
435	Miscellaneous non-profit - Term assurances - other		1		n/a	n/a	n/a	
400	Annuity non-profit (CPA) - Annuities in payment		248		n/a	n/a	n/a	4186
440	Additional reserves non-profit OB - Extra premiums			1	n/a	n/a	n/a	1
435	Miscellaneous non-profit - Miscellaneous		40	1	n/a	n/a	n/a	

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

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

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

Financial year ended **31st December 2005**

Units **£000**

Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance - Individual business		37773	151	n/a	n/a	n/a	80
330	Decreasing term assurance - Individual business		14451	74	n/a	n/a	n/a	5
435	Miscellaneous non-profit - Term assurances - other		30		n/a	n/a	n/a	
440	Additional reserves non-profit OB - Extra premiums			18	n/a	n/a	n/a	18

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

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium - Unitised With Profit Bond	16476	383321		379526	360968	2740	363709
505	Life UWP whole life regular premium - Universal Protection Plan	4121	136669	2260	5195	2420	5660	8080
510	Life UWP endowment regular premium - savings - Regular Savings Plan	2283	68240	2006	14737	10894	3974	14868
515	Life UWP endowment regular premium - target cash - Mortgage Savings Plan	601	3308	281	2326	1962	389	2351
500	Life UWP single premium - Additional Bonus Reserve				(2029)	(2029)		(2029)

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP single premium - Unitised With Profit Bond		286541		286541	270305	1687	271992
505	Life UWP whole life regular premium - Universal Protection Plan		131473	294			84	84
510	Life UWP endowment regular premium - savings - Regular Savings Plan		53503	120			34	34
515	Life UWP endowment regular premium - target cash - Mortgage Savings Plan		982	4			1	1

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP - IPPP & GPPP	10549	103845	2937	94678	57600	37956	95556
525	Individual pensions UWP - FSAVC	646	3917	243	3917	2724	1233	3958
535	Group money purchase pensions UWP - EPP	368	8684	314	8076	5838	2220	8059
535	Group money purchase pensions UWP - CIMPS	194	5704	105	5600	3308	2257	5566
535	Group money purchase pensions UWP - AVC	292	1547	27	1536	1000	567	1567
535	Group money purchase pensions UWP - UWP Group Pensions	37	50407	2848	50407	39182	11857	51039
610	Additional reserves UWP - Additional Bonus Reserve				(517)	(517)		(517)

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

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP - IPPP & GPPP		103845	2937	94678	57600	37956	95556
525	Individual pensions UWP - FSAVC		3917	243	3917	2724	1233	3958
535	Group money purchase pensions UWP - EPP		8684	314	8076	5838	2220	8059
535	Group money purchase pensions UWP - CIMPS		5704	105	5600	3308	2257	5566
535	Group money purchase pensions UWP - AVC		1547	27	1536	1000	567	1567
535	Group money purchase pensions UWP - UWP Group Pensions		50407	2848	50407	39182	11857	51039

Long term insurance business : Valuation summary of property linked contracts

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life property linked whole life regular premium - Equity Plan	24	46	3	870	870		870
700	Life property linked single premium - Capital International Bond	33	1449		1189	1189		1189
710	Life property linked whole life regular premium - Lifetime Plan	975	72346	563	4945	4945	168	5114
710	Life property linked whole life regular premium - Universal Protection Plan	3458	406403	3202	6264	6264	287	6551
700	Life property linked single premium - Challenger Bond	1573	42409		42440	42440	218	42657
715	Life property linked endowment regular premium - savings - Family Fund Unit Assurance	1	26		26	26		26
700	Life property linked single premium - PGA linked annuities	127	316		1450	1450	196	1646

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life property linked whole life regular premium - Lifetime Plan		20927	155	4945	4945	9	4954
710	Life property linked whole life regular premium - Universal Protection Plan		406403	3202	6264	6264	287	6551
700	Life property linked single premium - Challenger Bond		42409		42440	42440	218	42657

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	85569	864553	17507	846428	824927	22901	847829
735	Group money purchase pensions property-linked	4662	74032	3790	70318	68947	1241	70188

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		864553	17507	846428	824927	22901	847829
735	Group money purchase pensions property-linked		74032	3790	70318	68947	1241	70188

Long term insurance business : Valuation summary of index linked contracts

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

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity - Annuities in payment (old series annuities)	2	5			60		60
905	Index linked annuity - Annuities in payment (new series annuities)	33	573			21590		21590
905	Index linked annuity - Reversionary annuities		2			15		15

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
910	Miscellaneous index linked - RPI Bond	44	208			280		280
905	Index linked annuity - Deferred annuities	1				1699		1699
905	Index linked annuity - Annuities in payment	133	1177			17288		17288
905	Index linked annuity - Reversionary annuities	1	502			3354		3354

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix and London Assurance Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31st December 2005**
 Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity - Annuities in payment	3	62			926		926
905	Index linked annuity - Reversionary annuities		45			249		249

Long term insurance business : Unit prices for internal linked funds

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

(Sheet 1)

Total Business

Financial year ended **31st December 2005**

Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Immediate Annuity Fund	07 - life - property	1450		.38	4.894	5.011	2.39

Long term insurance business : index linked businessName of insurer **Phoenix and London Assurance Limited**

Global business

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

Type of assets and liabilities	Name of index link	Value of assets or liabilities	Gross derivative value
	1	2	3
Index Linked Gilts	RPI	45461	
Sub total assets		45461	
Sub total liabilities			
Sub total net assets		45461	
Total assets		45461	n/a
Total liabilities			n/a
Net total assets		45461	n/a

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

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK L&GA WP Form 51 endowment assurances	1483103	3.15	3.90	4.13
UK Pens NP Form 51 annuities in payment	178394		4.25	4.51
(including associated reversionary benefits)				
UK Pens NP Form 51 assurances	525760		3.65	4.07
UK Pens WP Form 51 pure endowments				
and deferred annuities:				
with ongoing premiums	852611		3.90	4.13
other	2592909		4.20	4.43
Misc	493126	n/a	n/a	
Total:	6125903	n/a	n/a	n/a

Long term insurance business : distribution of surplusName of insurer **Phoenix and London Assurance Limited**Total business/subfund **Ordinary Long Term Business**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	6175399	7978372
Bonus payments in anticipation of a surplus	12	34387	51444
Transfer to non-technical account	13	4150	6521
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	6213936	8036337
Mathematical reserves	21	6168698	7967736
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	45238	68601
Composition of Surplus			
Balance brought forward	31	500	500
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	44738	68101
Total	39	45238	68601
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	34387	51444
Cash bonuses	42		
Reversionary bonuses	43	6201	10135
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	40588	61580
Net transfer out of fund/part of fund	47	4150	6521
Total distributed surplus (46+47)	48	44738	68101
Surplus carried forward	49	500	500
Total (48+49)	59	45238	68601
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.72	90.42
Current year - 1	62	90.42	90.44
Current year - 2	63	90.44	90.88
Current year - 3	64	90.88	91.05

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

Category of with-profits policy	Original term (years)	Maturity value/ open market option	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6328	0	0	CWP	N	SA+bonuses
Endowment assurance	15	10919	0	0	CWP	N	SA+bonuses
Endowment assurance	20	20023	1121	0	CWP	N	SA+bonuses
Endowment assurance	25	37090	7005	0	CWP	N	SA+bonuses
Regular premium pension	5	11904	24	0	UWP	N	ROF
Regular premium pension	10	26114	24	0	UWP	N	ROF
Regular premium pension	15	52870	0	0	CWP	N	ROF
Regular premium pension	20	100045	0	0	CWP	N	RWI
Single premium pension	5	10599	0	0	UWP	N	ROF
Single premium pension	10	15535	740	0	UWP	N	ROF
Single premium pension	15	32802	0	0	CWP	N	ROF
Single premium pension	20	64960	0	0	CWP	N	RWI

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

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	5714	0	0	CWP	N	SA+bonuses
Endowment assurance	15	10148	0	0	CWP	N	SA+bonuses
Endowment assurance	20	19409	109	0	CWP	N	SA+bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	9857	0	742	UWP	Y	ROF
Single premium pension	10	15535	740	0	UWP	Y	ROF

Long term insurance capital requirementName of insurer **Phoenix and London Assurance Limited**

Global business

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

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Classes I, II and IX	11	0.1%					
Classes I, II and IX	12	0.15%			0.50		
Classes I, II and IX	13	0.3%	12229080	3745164		18344	20843
Classes III, VII and VIII	14	0.3%	522408	49049	0.50	784	788
Total	15		12751488	3794213		19128	21631
Insurance health risk capital component							
Class IV and supplementary classes 1 and 2	21					2055	2055
Insurance expense risk capital component							
Classes I, II and IX	31	1%	6652753	6169115	0.93	61691	79713
Classes III, VII and VIII (investment risk)	32	1%	4845	1806	0.85	41	74
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	2085	2085	1.00	21	20
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%	175585	1893	0.85	1492	1638
Class V	36	1%					
Class VI	37	1%					
Total	38					63245	81446
Insurance market risk capital component							
Classes I, II and IX	41	3%	6652753	6169115	0.93	185073	239140
Classes III, VII and VIII (investment risk)	42	3%	4845	1806	0.85	124	223
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	2085	2085			
Classes III, VII and VIII (other)	44	0%					
Class IV	45	3%	175585	1893	0.85	4477	4913
Class V	46	0%					
Class VI	47	3%					
Total	48		6835268	6174899		189674	244276
Long term insurance capital requirement	51					274102	349408

Supplementary Notes

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

NOTES TO APPENDIX 9.1

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

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

	2005 £000's
Form 13 line 89 Total other than long term business assets	410,351
Form 13 line 89 Total long term business assets	6,687,835
Less the sum of lines 11, 12 and 49 of Form 14	(6,483,556)
Less Form 15 line 69	<u>(230,071)</u>
	384,559
Subordinated loan capital Form 15 line 63	<u>211,906</u>
Total capital resources after deductions Form 3 line 79	<u>596,465</u>

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

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

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

The Company held at 31 December 2005 £261,000k (2004 £265,000k) in unlisted securities.

***1304* OLTB: Set off**

***1310* LTB: Set off**

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

***1305* OLTB: Counterparty limits**

***1311* LTB: Counterparty limits**

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

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

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

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

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

The Company held at 31 December 2005 £66,612k (2004 £132,398k) in unlisted securities and listed securities not readily realisable, the majority of which were unlisted securities.

Supplementary Notes

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

***1309* LTB: Hybrid securities**

At 31 December 2005 the Company did not hold any hybrid securities. The aggregate value of hybrid securities held by the Company at 31 December 2004 was £5,362k.

***1318* Adjustments to assets**

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

	Other than long term £000's	Long term £000's
Subordinated loan	139,957	(139,957)
Inadmissible assets	-	1,169
Reclassification of assets	-	(41,102)
	139,957	(179,890)

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

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

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

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

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

Form 14, line 21 includes an amount of £13,476k (2004 £13,278k) in respect of a prospective liability for tax on unrealised capital gains calculated in accordance with Financial Reporting Standard 19.

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

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

***1405* Adjustments to liabilities**

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

	£000's
Reclassification of assets	(41,102)
Valuation differences	65,491
	24,389

Supplementary Notes

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

***1508* Subordinated loan**

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

Subordinated loan agreement:

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

Internal capital support memorandum:

Under this memorandum, the Company has agreed with RLGWPH and with the FSA to establish memoranda accounts within the shareholder's (SH) and long-term (LTF) funds to provide support to the LTF. The amount credited to the SH memorandum account at the 31 December 2005 was £211.9m (2004: £211.4m). Assets are transferred from the SH memorandum account to the LTF memoranda accounts when the Company becomes aware that the value of assets comprised in the LTF have fallen (or are likely to fall) below the "Threshold Amount". The Threshold Amount is £25.0m in excess of the requirements under both the statutory and realistic solvency regulations. The amount transferred from the SH memorandum account to the LTF memoranda at 31 December 2005 was £144.7m including accrued interest. Assets are repayable to the SH memorandum account from the LTF memoranda accounts out of profits arising in the Long Term Fund to the extent that the assets comprised in the LTF are greater than the Threshold Amount, subject to receipt by the Company of permission in writing of the FSA. Of the £144.7m transfer from the SH memorandum account into the LTF memoranda accounts, £66.3m was required to achieve a realistic basis surplus of £Nil.

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

In accordance with Appendix 9.1, paragraph 5.2 of the Interim Prudential Sourcebook for Insurers, long term business amounts of income and expenditure in foreign currencies are translated to sterling at the prevailing rates at the date of the transactions.

***1603* Other income and charges**

The fund for future appropriations at 31 December 2005 was £4,840k negative after recognising a liability to repay all of the contingent loan from the shareholder fund to the long term fund. The directors feel that it is not appropriate to recognise a negative fund for future appropriations and as a result the Company has recorded a charge in 2005 of £4.5m shown in Form 16, line 21.

***1700* Omission of forms**

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

***1701* Derivative contracts**

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

There is no excess variation margin included within Form 13.

***1703* Adjustments for variation margin**

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

Supplementary Notes

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

NOTES TO APPENDIX 9.3

***4002* Other income and expenditure**

Other income in 2005 of £71k shown in Form 40, line 15 and other expenditure in 2004 of £62k shown in Form 40, line 25 relate to costs arising from the decision to close the Company to new business in 2002, together with the turn out of provisions established prior to 2003 in respect of previous business improvement programmes. These costs arise from fundamental reorganisations of the business.

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

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

Arrangements were also in force during the financial year with Homeloan Management Limited for the administration of the Company's loan portfolio.

***4009* Material connected party transactions**

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

***4010* Unit linked investment income**

Form 40, line 12 includes unit linked investment income of £115k.

***4011* Expenses payable**

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

***4101* Annuity Business Sale**

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

However prior to Court approval for a funds transfer under Section 105 of the Financial Services and Markets Act 2000 this business continued to be underwritten by the Company and 100% reassured to Canada Life. To this effect from 1 July 2005 the Company entered into a reinsurance agreement with Canada Life under which the annuity business sold was 100% reassured to Canada Life. On 1 July 2005 a reinsurance premium of £2,178,612k was paid to Canada Life. This is shown on Form 41, line 14 column 2.

Court approval was effective from 31 December 2005 and all funds related to this business were transferred to Canada Life. From this date this business was written directly by Canada Life.

***4102* Negative premiums**

The amount shown on Form 41 line 12 column 1 has a negative value mainly due to the refund of unearned premium on certain single premium Group Creditor contracts written prior to 2002 that covered policy loans typically lasting 5 to 10 years.

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Phoenix and London Assurance Limited

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***4301* Other commission payable**

The amount shown on Form 43 line 42 column 2 has a negative value mainly due to overriding commission recoverable from another group company under a contract of reinsurance.

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

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

4801

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

4802

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

4803

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

4804

Other assets include:

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

4806

The asset mix underlying an individual policy asset share varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate. The aggregate asset mix as at 30 June 2005 (being half way through the report period) was:

Asset Type	Proportion of Total Asset Share
Land and buildings	14%
Approved fixed interest securities	41%
Other fixed interest securities	17%
UK listed equity shares	10%
Non-UK listed equity shares	3%
Other assets	15%

4807

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

4808

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

Supplementary Notes

Phoenix and London Assurance Limited

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Financial year ended 31st December 2005

4809

The Company holds a number of swaps in connection with its fixed interest assets. The net value of the swaps is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to fixed interest securities as described in Appendix 9.4 paragraph 4.9 in proportion to the market value of the underlying fixed interest securities. The yield shown in column 4 reflects the overall impact of this aggregation. For fixed interest securities expected income relates to the fixed interest assets shown in column 1.

4810

The entry in Line 33 column 5 is after tax.

4901

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

4902

Other fixed interest securities represent certificates of deposit and other short term instruments.

4903

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

5101

Product code 205 Miscellaneous conventional with-profits (Controlled Fund) includes 1 scheme where there are no records of benefits at member level.

Product code 175 Group conventional deferred annuity with-profits - Retirement Fund includes 6 schemes where there are no records of benefits at member level.

5102

Gross reserves for product code 435 Miscellaneous non-profit total £12.404m. £7.307m of this reserve relates to term assurance products that do not fall into the level or decreasing term assurance categories.

5501

Entries in columns 5 and 8 are percentage amounts.

5502

Entries in columns 6 and 7 are in £.

5701

Where reference is made to a valuation interest rate of 4.20%, 4.20% refers to the initial interest rate as referred to in paragraph 4.2 of Appendix 9.4.

5901

Abbreviations in column 8: SA = Sum Assured
 ROF = Return of Fund
 RWI = Return of Premiums with Interest

Statement of Additional Information on Derivative Contracts required by rule 9.29

Phoenix and London Assurance Limited

Financial year ended 31st December 2005

Statement pursuant to rule 9.29

- a) The Company has investment guidelines which indicate that derivative contracts are used primarily for the purpose of efficient portfolio management or reduction of investment risks which specify the types of derivative contracts which may be used and indicate the processes to be used in selecting and managing derivative contracts. The guidelines also require regular monitoring and reporting of open positions.
- b) The guidelines operated by the Company for the use of derivative contracts do not include any provisions for the use of contracts under which the Company has a right or obligation to acquire or dispose of assets which was not, at the time the contract was entered into, reasonably likely to be exercised.
- c) The Company was not a party to any such contracts of the kind described in b) at any time during the financial year.
- d) The derivative assets held are valued at market value. There would be no material change in value of any assets on Form 13 if these contracts were closed as at 31 December 2005.
- e) The position under d) would not be different if such options were exercised in such a way as to change the amounts referred to in d) to the maximum extent.
- a) The position under d) would not have been materially different at any other time during the relevant financial year.
- f) The maximum loss which would be incurred by the Company in the event of failure by any one other person to fulfil its obligations under these contracts at the end of the financial year under existing and other foreseeable market conditions was £119,781,000.
The maximum loss any other time during the relevant financial year was £120,284,606.
- h) All derivative assets held during the relevant financial year are admissible.
- i) The Company received £62,873 during the year in return for granting rights under derivative contracts. Summary of contracts in force during the year were as follows:
 - Put Option for 508,000 shares in Shell (705 P July)
 - Put Option for 508,000 shares in Shell (420 P July)

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

Statement pursuant to rule 9.30

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

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

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

Particulars of Shareholdings

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

Particulars of Pecuniary Interests

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

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

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

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

Note:

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

Certificate required by rule 9.34

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

We certify that:

- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU.
- (b) the Company was not compliant with PRU 2.2.24R from 31st December 2004 until the 23rd March 2005 when the revised financial support arrangements described in Note 1508 to this return were put in place. Apart from this the directors are satisfied that:
 - (i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
- (2) (a) in the directors' opinion, premiums for contracts of long-term insurance business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (d) the directors have, in preparing the return, taken and paid due regard to:
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

G L SINGLETON
.....
Director

R CRAINE
.....
Director

R E K GREENFIELD
.....
Director

29 March 2006

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

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

Returns under the Accounts and Statements Rules

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

Phoenix and London Assurance Limited

Global business

Financial year ended 31st December 2005

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

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

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

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

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

Respective responsibilities of the insurer and its auditors

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

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

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom' and Bulletin 2004/5 'Supplementary guidance for auditors of insurers in the United Kingdom' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 30 March 2006. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statements and the valuation reports.

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

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

Opinion

In our opinion:

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

Ernst & Young LLP
Registered Auditor
London

30 March 2006