

Phoenix & London Assurance Limited

Annual FSA Insurance Returns for the year ended

31 December 2008

Appendices 9.1, 9.3, 9.4, 9.4A and 9.6

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

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	894616	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	252613	361198
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	410196	406138
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	662809	767336

Guarantee fund

Guarantee fund requirement	21	79866	78824
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	582943	688512

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	239598	236473
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	239598	236473
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	239598	236473
Excess (deficiency) of available capital resources to cover 50% of MCR	37	275870	453632
Excess (deficiency) of available capital resources to cover 75% of MCR	38	483110	589981

Enhanced capital requirement

With-profits insurance capital component	39	56976	154137
Enhanced capital requirement	40	296574	390610

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	296574	390610
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	366235	376726

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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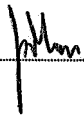
Covering Sheet to Form 2

Form 2

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

Global business

Financial year ended **31 December 2008**



J S Moss

Chief Executive



M J Merrick

Director



J S B Smith

Director

Date **30 MARCH 2009**

Components of capital resourcesName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**

R3	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	894616	GL				£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Core tier one capital

Permanent share capital	11		81000	81000	81000
Profit and loss account and other reserves	12		263857	263857	316987
Share premium account	13				
Positive valuation differences	14		50812	50812	132189
Fund for future appropriations	15				41692
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		395669	395669	571868

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		395669	395669	571868
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		395669	395669	571868

Components of capital resourcesName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**

R3	Company registration number	GL/UK/CM	day month year			Units
	894616	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

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		270000	270000	200000
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49		270000	270000	200000

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

Total tier two capital before restrictions (49+59)	61		270000	270000	200000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		270000	270000	200000

Components of capital resourcesName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	894616	GL	31	12	2008	£000
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72			665669	665669	771868
Inadmissible assets other than intangibles and own shares	73			2860	2860	4532
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			662809	662809	767336

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81			662809	662809	767336
Available capital resources for 50% MCR requirement	82			395669	395669	571868
Available capital resources for 75% MCR requirement	83			662809	662809	767336

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 & London Assurance Limited**

Global business

Financial year ended **31 December 2008**

Long term insurance business

R11	Company registration number 894616	GL/UK/CM GL	day month year			Units £000
			31	12	2008	
			This financial year 1			Previous year 2
Gross premiums written			11	12950		16639
Premiums taxes and levies (included in line 11)			12			
Premiums written net of taxes and levies (11-12)			13	12950		16639
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	12950		16639
Gross premiums earned			21	12950		16639
Premium taxes and levies (included in line 21)			22			
Premiums earned net of taxes and levies (21-22)			23	12950		16639
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	12950		16639
Sub-total I (higher of sub-total A and sub-total H)			30	12950		16639
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	2331		2995	
	Excess (if any) over 53.1M EURO x 0.02	33				
Sub-total J (32-33)			34	2331		2995
Claims paid in period of 3 financial years			41	46696		42930
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	33089		35968	
	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	42073		49041	
	For insurance business accounted for on an accident year basis	45				
Sub-total C (41+42+43-44-45)			46	37712		29857
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	33392		28152
Sub-total D (46-47)			48	4320		1705
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49	0.50		0.50
Premiums amount (Sub-total J x reinsurance ratio)			50	1166		1498
Provision for claims outstanding (before discounting and net of reinsurance)			51	645		645
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52			
Brought forward amount (See instruction 4)			53	1634		1634
Greater of lines 50 and 53			54	1634		1634

Calculation of general insurance capital requirement - claims amount and result

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

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	894616	GL	31	12	2008	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R		11		36			36	
Claims paid in reference period		21		46696			42930	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22		33089			35968	
	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		42073			49041	
	For insurance business accounted for on an accident year basis	25						
Claims incurred in reference period (21+22+23-24-25)		26		37712			29857	
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		37712			29857	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)		31		12571			9952	
Division of sub-total F (gross adjusted claims amount)	x 0.26	32		3268			2588	
	Excess (if any) over 37.2M EURO x 0.03	33						
Sub-total G (32-33)		39		3268			2588	
Claims amount Sub-total G x reinsurance ratio (11.49)		41		1634			1294	
Higher of premiums amount and brought forward amount (11.54)		42		1634			1634	
General insurance capital requirement (higher of lines 41 and 42)		43		1634			1634	

Analysis of admissible assetsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	894616	GL	31	12	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	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	387507	325291
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	4112	48843
	Other	46		
Variable interest securities	Approved	47		
	Other	48	21393	
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		28453
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	894616	GL	31	12	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
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	63	7655
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1848	1091
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	416123	412534
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Analysis of admissible assetsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	894616	GL	31	12	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	416123	412534
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	221279	189310
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	637402	601844

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		
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Analysis of admissible assetsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	894616	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

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		187275
	Debts and loans	30		242388

Other financial investments

Equity shares	41		182984	301556
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		115898	123778
Rights under derivative contracts	44		729308	137592
Fixed interest securities	Approved	45	3611151	3222468
	Other	46	1301099	1542668
Variable interest securities	Approved	47	162542	145309
	Other	48	14267	16139
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		5197	5780
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		11806
	More than one month withdrawal	55		4655
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	47271	44198
	Property linked	59	1807	2804

Analysis of admissible assetsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	894616	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	4141	55
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	978	725
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	45752	80301
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	59818	45847
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	70420	70641
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	6675	1590

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	6546585	6000300
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Analysis of admissible assetsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day month year			Units	Category of assets	
R13	894616	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	6546585	6000300
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	2860	4532
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1046679	1516252
Other asset adjustments (may be negative)	101	(221494)	(194643)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7374630	7326441
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Phoenix & London Assurance Limited**

Global business

Financial year ended **31 December 2008**Total business **10 Ordinary Long Term Business**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	5518068	5402725	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	160500	500	
Long term insurance business fund carried forward (11 to 13)	14	5678568	5403225	
Claims outstanding	Gross	15	50270	63463
	Reinsurers' share	16		2046
	Net (15-16)	17	50270	61417
Provisions	Taxation	21		
	Other risks and charges	22	2937	484
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	8351	6721
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	9089	
	Other	38	705152	167650
Accruals and deferred income	39	105	105	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	775904	236377	
Excess of the value of net admissible assets	51	92113	360698	
Total liabilities and margins	59	6546585	6000300	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1807	2804

Total liabilities (11+12+49)	71	6293972	5639102
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1046679	1516252
Other adjustments to liabilities (may be negative)	74	33979	129395
Capital and reserves and fund for future appropriations	75		41692
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	7374630	7326441

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

Global business

Financial year ended **31 December 2008**

R15	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	894616	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		4125	5118
	Foreseeable dividend	48			
	Other	49		1802	1278
Accruals and deferred income		51			
Total (19 to 51)		59		5927	6396
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63		270000	200000
Total (59 to 63)		69		275927	206396

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		271802	201278
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83		16618	(2539)
Capital and reserves	84		344857	397987
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85		637402	601844

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

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2008	£000
				This financial year			Previous year
				1			2
Transfer (to)/from the general insurance business technical account	From Form 20		11				
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13			(71938)	(101873)
Investment income	Income		14			27117	38595
	Value re-adjustments on investments		15			236	5048
	Gains on the realisation of investments		16			13045	
Investment charges	Investment management charges, including interest		17			17054	15549
	Value re-adjustments on investments		18				
	Loss on the realisation of investments		19				7890
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			(5359)	(4145)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(53952)	(85814)
Tax on profit or loss on ordinary activities			31			4825	5118
Profit or loss on ordinary activities after tax (29-31)			39			(58778)	(90932)
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			(58778)	(90932)
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			(58778)	(90932)

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	day month year			Units	Category of assets	
		R17	894616	GL	31	12	2008	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	666885		640996		3799941		5312867
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	8227		8117		5439		2810
	Equity stock	17							
	Land	18							
	Currencies	19	5182		5354				171
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	38970						
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	10044						
	Equity index calls	42							
	Equity stock calls	43			16				230
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	729308		654483		3805380		5316078
Adjustment for variation margin		52							
Total (51 + 52)		53	729308		654483				

With-profits insurance capital component for the fundName of insurer **Phoenix & London Assurance Limited**With-profits fund **10 Ordinary Long Term Business**Financial year ended **31 December 2008**Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	6546585	6000300
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	1234723	1056774
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	5311862	4943526
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4283346	4345951
	Regulatory current liabilities of the fund	22	1066535	443368
	Total (21+22)	29	5349881	4789319
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	239598	236473
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	5589479	5025792
Regulatory excess capital (19-39)		49	(277617)	(82266)

Realistic excess capital

Realistic excess capital	51	(187298)	(184742)
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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	(90319)	102476
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62	290631	206991
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63	125163	137020
Present value of future shareholder transfers arising from distribution of surplus	64	18173	18309
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	56976	154137

Realistic balance sheet

Name of insurer **Phoenix & London Assurance Limited**
 With-profits fund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	5311862	4943526
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	(21840)	(25344)
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	5290022	4918182
Support arrangement assets	27		
Assets available to the fund (26+27)	29	5290022	4918182

Realistic value of liabilities of fund

With-profits benefit reserve	31	3224029	3737976	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	920	17300
	Planned enhancements to with-profits benefits reserve	34	1249	1797
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	279320	332923
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	670253	478419
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	803301	709422
	Future costs of smoothing (possibly negative)	44	5012	4895
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	58668	83925
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1258243	928235
Realistic current liabilities of the fund	51	807750	251971	
Realistic value of liabilities of fund (31+49+51)	59	5290022	4918182	

Realistic balance sheetName of insurer **Phoenix & London Assurance Limited**With-profits fund **10 Ordinary Long Term Business**Financial year ended **31 December 2008**Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	5477320	5102925
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	5477320	5102925
Risk capital margin for fund (62-59)	65	187298	184742
Realistic excess capital for fund (26-(59+65))	66	(187298)	(184742)
Realistic excess available capital for fund (29-(59+65))	67	(187298)	(184742)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	331442	358416
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue account

Name of insurer **Phoenix & London Assurance Limited**
 Total business **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	103446	192547
Investment income receivable before deduction of tax	12	282753	278910
Increase (decrease) in the value of non-linked assets brought into account	13	351694	(348079)
Increase (decrease) in the value of linked assets	14	(997)	(428)
Other income	15		
Total income	19	736896	122950

Expenditure

Claims incurred	21	451677	568738
Expenses payable	22	29549	25551
Interest payable before the deduction of tax	23	18520	10237
Taxation	24	33745	(38916)
Other expenditure	25		
Transfer to (from) non technical account	26	(71938)	(101873)
Total expenditure	29	461553	463737

Business transfers - in	31	123139	
Business transfers - out	32	123139	
Increase (decrease) in fund in financial year (19-29+31-32)	39	275343	(340787)
Fund brought forward	49	5403225	5744012
Fund carried forward (39+49)	59	5678568	5403225

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix & London Assurance Limited**
 Total business **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	121378	32004	289	153671	149751
Single premiums	12	(718)	2000		1282	114863

Reinsurance - external

Regular premiums	13	1287	23	1	1311	1731
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	34994	16925	61	51980	57820
Single premiums	16	(1)	(1783)		(1784)	12516

Net of reinsurance

Regular premiums	17	85097	15056	227	100380	90200
Single premiums	18	(717)	3783		3066	102347

Total

Gross	19	120660	34004	289	154953	264614
Reinsurance	20	36280	15165	62	51507	72067
Net	21	84380	18839	227	103446	192547

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix & London Assurance Limited**
 Total business **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Death or disability lump sums	11	19588	6806	3584	29978	61346
Disability periodic payments	12	5323			5323	5909
Surrender or partial surrender	13	228624	154263	21	382908	365604
Annuity payments	14	2371	35507	1979	39857	27892
Lump sums on maturity	15	240437	9179	1686	251302	290101
Total	16	496343	205755	7270	709368	750852

Reinsurance - external

Death or disability lump sums	21	(136)	26	(49)	(159)	397
Disability periodic payments	22	584			584	216
Surrender or partial surrender	23	51	1		52	
Annuity payments	24			372	372	124
Lump sums on maturity	25					
Total	26	499	27	323	849	737

Reinsurance - intra-group

Death or disability lump sums	31	21071	2247		23318	30226
Disability periodic payments	32	2227			2227	5648
Surrender or partial surrender	33	149852	61409		211261	125199
Annuity payments	34					
Lump sums on maturity	35	7395	12641		20036	20304
Total	36	180545	76297		256842	181377

Net of reinsurance

Death or disability lump sums	41	(1347)	4533	3633	6819	30723
Disability periodic payments	42	2512			2512	45
Surrender or partial surrender	43	78721	92853	21	171595	240405
Annuity payments	44	2371	35507	1607	39485	27768
Lump sums on maturity	45	233042	(3462)	1686	231266	269797
Total	46	315299	129431	6947	451677	568738

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix & London Assurance Limited**
 Total business **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	1272	860		2132	2764
Management - acquisition	13					10
Management - maintenance	14	11698	7913		19611	18044
Management - other	15	5975	4042		10017	8051
Total	16	18945	12815		31761	28869

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	71	48		119	302
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	71	48		119	302

Reinsurance - intra-group

Commission - acquisition	31	44	29		73	92
Commission - other	32	1205	815		2020	2924
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	1248	845		2093	3016

Net of reinsurance

Commission - acquisition	41	(44)	(29)		(73)	(92)
Commission - other	42	(4)	(3)		(7)	(462)
Management - acquisition	43					10
Management - maintenance	44	11698	7913		19611	18044
Management - other	45	5975	4042		10017	8051
Total	46	17626	11923		29549	25551

Long-term insurance business : Linked funds balance sheet

Name of insurer **Phoenix & London Assurance Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	462	854
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+13)	14	462	854
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	462	854

Directly held linked assets

Value of directly held linked assets	21	1345	1950
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Total

Value of directly held linked assets and units held (18+21)	31	1807	2804
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	1807	2804

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

Total business

Financial year ended **31 December 2008**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	17	106
Increase (decrease) in the value of investments in the financial year	13	(218)	(428)
Other income	14		
Total income	19	(201)	(322)

Expenditure

Value of total cancellation of units	21	187	245
Charges for management	22	4	5
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	191	250

Increase (decrease) in funds in financial year (19-29)	39	(392)	(572)
Internal linked fund brought forward	49	854	1426
Internal linked funds carried forward (39+49)	59	462	854

Long-term insurance business : Summary of new business

Name of insurer **Phoenix & London Assurance Limited**
 Total business
 Financial year ended **31 December 2008**
 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	260	32		292	150
Single premium business	12		606		606	3890
Total	13	260	638		898	4040

**Amount of new regular
premiums**

Direct insurance business	21	102	21		123	136
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	102	21		123	136

**Amount of new single
premiums**

Direct insurance business	25		2000		2000	114139
External reinsurance	26					
Intra-group reinsurance	27					
Total	28		2000		2000	114139

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

Name of insurer **Phoenix & London Assurance Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	824377	934778	36291	3.55	
Other fixed interest securities	13	221239	250867	14111	7.58	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	140028				
Total	19	1185644	1185644	50401	4.41	

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

Land and buildings	21		187275	19008	10.15	(16.66)
Approved fixed interest securities	22	2820814	3198576	125131	3.56	6.97
Other fixed interest securities	23	1113309	1262403	71006	7.58	6.97
Variable interest securities	24	178270	178270	3292	1.22	3.70
UK listed equity shares	25	125575	139755	6952	7.21	(28.86)
Non-UK listed equity shares	26	57409	68137	2456	5.28	(16.78)
Unlisted equity shares	27					
Other assets	28	1016486	277446	4720	1.70	3.70
Total	29	5311863	5311863	232565	4.69	4.61

Overall return on with-profits assets

Post investment costs but pre-tax	31					0.91
Return allocated to non taxable 'asset shares'	32					4.42
Return allocated to taxable 'asset shares'	33					(2.50)

Long-term insurance business : Fixed and variable interest assets

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

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2846482	13.14	3.67	3.67

Other approved fixed interest securities	21	798709	7.64	3.76	3.76
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Other fixed interest securities

AAA/Aaa	31	231460	7.97	4.73	4.56
AA/Aa	32	310882	6.95	6.51	5.90
A/A	33	557378	6.53	9.37	6.86
BBB/Baa	34	88385	6.97	8.81	6.23
BB/Ba	35	14819	7.21	26.60	2.33
B/B	36	1343	7.72		
CCC/Caa	37				
Other (including unrated)	38	130282	8.42	6.02	4.53
Total other fixed interest securities	39	1334547	7.10	7.72	5.91

Approved variable interest securities	41	163901	17.17	0.93	0.93
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Other variable interest securities	51	14369	15.16	4.52	4.52
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Total (11+21+39+41+51)	61	5158009	10.86	4.65	4.18
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Long-term insurance business : Summary of mathematical reservesName of insurer **Phoenix & London Assurance Limited**Total business / subfund **10 Ordinary Long Term Business**Financial year ended **31 December 2008**

Units

£000

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

Gross

Form 51 - with-profits	11	1128771	3093242	10868	4232881	4309329
Form 51 - non-profit	12	204266	1072962	29098	1306326	1141899
Form 52	13	78369	108107		186476	364322
Form 53 - linked	14	31756	665974		697730	942969
Form 53 - non-linked	15	891	18029		18921	24413
Form 54 - linked	16	22858	22966	1447	47271	44198
Form 54 - non-linked	17					
Total	18	1466911	4981280	41413	6489605	6827130

Reinsurance - external

Form 51 - with-profits	21	979			979	954
Form 51 - non-profit	22	4969	1260	3543	9771	10384
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	5948	1260	3543	10751	11338

Reinsurance - intra-group

Form 51 - with-profits	31	8165			8165	8124
Form 51 - non-profit	32	110816	595	19	111430	122295
Form 52	33	42544	87948		130491	322609
Form 53 - linked	34	29949	665974		695923	940165
Form 53 - non-linked	35	370	18029		18400	23862
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	191844	772546	19	964409	1417054

Net of reinsurance

Form 51 - with-profits	41	1119627	3093242	10868	4223737	4300252
Form 51 - non-profit	42	88482	1071107	25535	1185124	1009220
Form 52	43	35826	20159		55985	41712
Form 53 - linked	44	1807			1807	2804
Form 53 - non-linked	45	521			521	552
Form 54 - linked	46	22858	22966	1447	47271	44198
Form 54 - non-linked	47					
Total	48	1269120	4207475	37851	5514445	5398738

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

Phoenix & London Assurance Limited

10 Ordinary Long Term Business

31 December 2008

£000

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	4100	47374	643				25638
120	Conventional endowment with-profits OB savings	11802	66043	3362				54213
125	Conventional endowment with-profits OB target cash	99543	1935647	43419				1028884
210	Additional reserves with-profits OB			156				20037
300	Regular premium non-profit WL/EA OB	50347	89154	3360				57329
305	Single premium non-profit WL/EA OB	543	1727	7				1728
325	Level term assurance	46411	7303083	21122				28692
330	Decreasing term assurance	6413	207351	1403				1810
345	Accelerated critical illness (reviewable premiums)		671377	2582				3874
355	Stand-alone critical illness (reviewable premiums)	6680	706437	2821				4231
360	Income protection non-profit (guaranteed premiums)	22118	327491	9123				29434
365	Income protection non-profit (reviewable premiums)	6	17974	0				659
380	Miscellaneous protection rider		241125	502				138
385	Income protection claims in payment		5265					31537
390	Deferred annuity non-profit	423	26	0				746

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

Name of insurer **Phoenix & London Assurance Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 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		24	0				10
120	Conventional endowment with-profits OB savings		597	19				461
125	Conventional endowment with-profits OB target cash		15896	325				7694
300	Regular premium non-profit WL/EA OB		276	2				190
325	Level term assurance		6035020	17155				20961
330	Decreasing term assurance		196494	1353				1606
345	Accelerated critical illness (reviewable premiums)		626459	2433				3650
355	Stand-alone critical illness (reviewable premiums)		684532	2752				4128
360	Income protection non-profit (guaranteed premiums)		317667	8849				28551
380	Miscellaneous protection rider		241125	502				138
385	Income protection claims in payment		5107					30592
435	Miscellaneous non-profit		3714	43				
440	Additional reserves non-profit OB			376				21000

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

Name of insurer **Phoenix & London Assurance Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 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	95533	2952385	11013				2505541
165	Conventional deferred annuity with-profits	7129	50	464				210721
185	Group conventional pensions endowment with-profits	10686	373810	1828				329574
210	Additional reserves with-profits OB			59				47407
305	Single premium non-profit WL/EA OB	5774	101088	1				149625
325	Level term assurance	2092	132617	461				1122
360	Miscellaneous protection rider	1	7445	74				1813
390	Deferred annuity non-profit	9934	28947					426736
400	Annuity non-profit (CPA)	19140	43494	1				487631
435	Miscellaneous non-profit	1	160156	1				5793
440	Additional reserves non-profit OB			47				242

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

Name of insurer Phoenix & London Assurance Limited
 Total business / subfund 10 Ordinary Long Term Business
 Financial year ended 31 December 2008
 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	24	743	6				389
120	Conventional endowment with-profits OB savings	96	1710	38				1104
155	Conventional pensions endowment with-profits	152	6402	74				4928
165	Conventional deferred annuity with-profits	22	40	3				707
185	Group conventional pensions endowment with-profits	44	3107					2965
205	Miscellaneous conventional with-profits	25	58	12				775
210	Additional reserves with-profits OB			1				
300	Regular premium non-profit WL/EA OB	37	152	0				121
325	Level term assurance	148	20660	84				197
330	Decreasing term assurance	88	6125	32				13
390	Deferred annuity non-profit	83	311					4190
400	Annuity non-profit (CPA)	261	2036					24613
410	Group life	1						10
435	Miscellaneous non-profit	1	9	0				9
440	Additional reserves non-profit OB			11				4

Long-term insurance business: analysis of valuation interest rateName of insurer **Phoenix & London Assurance Limited**Total business **10 Ordinary Long Term Business**Financial year ended **31 December 2008**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 endowment assurances	1076046	2.95	3.74	3.97
UK Pens NP Form 51 annuities in payment (including associated reversionary benefits)	519832		5.40	5.67
UK Pens NP Form 51 assurances	492308		3.35	3.57
UK Pens WP Form 51 pure endowments and deferred annuities:				
with ongoing premiums	730404		3.65	3.97
other	2324918		4.45	4.78
Misc	325482	n/a	n/a	
Total	5468990			

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix & London Assurance Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	5678568	5403225
Bonus payments in anticipation of a surplus	12	25693	26085
Transfer to non-technical account	13	3062	3127
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5707323	5432437
Mathematical reserves	21	5514445	5398738
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	192879	33699

Composition of surplus

Balance brought forward	31	500	500
Transfer from non-technical account	32	75000	105000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	117379	(71801)
Total	39	192879	33699

Distribution of surplus

Bonus paid in anticipation of a surplus	41	25693	26085
Cash bonuses	42		
Reversionary bonuses	43	3624	3988
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	29317	30072
Net transfer out of fund / part of fund	47	3062	3127
Total distributed surplus (46+47)	48	32379	33199
Surplus carried forward	49	160500	500
Total (48+49)	59	192879	33699

Percentage of distributed surplus allocated to policyholders

Current year	61	90.54	90.58
Current year - 1	62	90.58	90.33
Current year - 2	63	90.33	90.72
Current year - 3	64	90.72	90.42

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

Name of insurer Phoenix & London Assurance Limited
 Original insurer 41 Phoenix & London Assurance Limited
 Date of maturity value / open market option 01 March 2009

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	5,896			CWP	N	GMDB
Endowment assurance	15	9591			CWP	N	SA + B
Endowment assurance	20	16392			CWP	N	SA + B
Endowment assurance	25	27155	831		CWP	N	SA + B
Regular premium pension	5	n/a	n/a		n/a	n/a	n/a
Regular premium pension	10	23091			UWP	N	Return of Fund
Regular premium pension	15	43754			CWP	N	Return of Fund
Regular premium pension	20	80748			CWP	N	Return of Fund
Single premium pension	5	n/a	n/a		n/a	n/a	n/a
Single premium pension	10	12043			UWP	N	Return of Fund
Single premium pension	15	27120			CWP	N	Return of Fund
Single premium pension	20	49449			CWP	N	Return of Fund

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

Name of insurer Phoenix & London Assurance Limited
 Original insurer 41 Phoenix & London Assurance Limited
 Date of surrender value 01 March 2009

1	2	3	4	5	6	7	8
Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	6054		n/a	CWP	N	GMDB
Endowment assurance	15	8203		n/a	CWP	N	SA + B
Endowment assurance	20	15988		n/a	CWP	N	SA + B
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	11200		843	UWP	Y	Return of Fund

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

Global business

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

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	9039089	2472918		13559	15288
Classes III, VII and VIII	15	0.3%	385890	45507	0.50	579	625
Total	16		9424979	2518425		14137	15913

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1634	1634
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	5685716	5514754	0.97	55148	53984
Classes III, VII and VIII (investment risk)	33	1%	3924	984	0.85	33	39
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1344	1344	1.00	13	19
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%	90873	986	0.85	772	704
Class V	37	1%					
Class VI	38	1%					
Total	39					55967	54746

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	5685716	5514754	0.97	165443	161952
Classes III, VII and VIII (investment risk)	43	3%	3924	984	0.85	100	116
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1344	1344			
Classes III, VII and VIII (other)	45	0%	711381				
Class IV (other)	46	3%	90873	986	0.85	2317	2112
Class V	47	0%					
Class VI	48	3%					
Total	49		6493239	5518068		167860	164180

Long term insurance capital requirement	51					239598	236473
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Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.1

0201 Section 148 waiver

The FSA, on the application of the firm, made a direction in December 2008 under section 148 of the Act. The effect of the direction is to modify INSPRU 3.1.46R so that the risk-adjusted yield assumed for the investment or reinvestment of sums denominated in sterling for the firm's with-profits business must be no more than the greater of (i) the forward gilts yield and (ii) the forward rate on sterling interest rate swaps as reduced by that part of the rate that represents compensation for credit risk.

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:

	2008 £'000	2007 £'000
Total other than long term insurance business assets – Form 13 line 89	416,123	412,534
Total long term insurance business assets - Form 13 line 89	6,546,585	6,000,300
Less Liabilities - Form 14 lines 11, 12 and 49	(6,293,972)	(5,639,102)
Less Liabilities Form 15 line 69	<u>(275,927)</u>	<u>(206,396)</u>
Net admissible assets	392,809	567,336
Contingent loan	<u>270,000</u>	<u>200,000</u>
Capital resources after deductions - Form 3 line 79	<u>662,809</u>	<u>767,336</u>

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

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

	2008 £'000	2007 £'000
Valuation differences between Peak 1 and Peak 2 liabilities	34,194	117,046
UKGAAP loan interest accrued not recognised under FSA rules	<u>16,618</u>	<u>15,143</u>
Form 3 line 14 positive valuation differences	<u>50,812</u>	<u>132,189</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

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

	2008 £'000
Balance at 31 December 2008 - Form 3 line 12 column 3	263,857
Balance at 31 December 2008 – Form 3 line 12 column 4	<u>316,987</u>
Movement	<u>(53,130)</u>
Explained by:	
Loss retained for the financial year - Form 16 line 59	(58,778)
Capital transferred to long term insurance business fund	75,000
Contingent loan write off in UK GAAP accounts	<u>(69,353)</u>
	<u>(53,130)</u>

***1305* and *1319* Counterparty exposures**

The investment guidelines operated by the Company for:

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

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

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

***1308* Unlisted and listed investments**

The amount of unlisted investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the rules in GENPRU 1.3 is £8.7m (2007: £0.8m).

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

1318 Other asset adjustments as reported in Form 13 line 101 are as follows:

Total other than long term insurance business assets	2008	2007
	£'000	£'000
Internal capital support – principal and interest	290,632	206,991
Reclassification of debtors and creditors	-	(17,681)
Contingent loan write off	(69,353)	
Form 13 line 101	<u>221,279</u>	<u>189,310</u>

Total long term insurance business assets	£'000	£'000
Internal capital support – principal and interest	(290,632)	(206,991)
Inadmissible assets	-	-
Reclassification of debtors and creditors	(215)	12,348
Contingent loan write off	69,353	-
Form 13 line 101	<u>(221,494)</u>	<u>(194,643)</u>

1401 and *1501* Provision for reasonably foreseeable adverse variations

No provision for reasonably foreseeable adverse variations has been made as liabilities are matched to assets.

During 2008, a detailed review was carried out on the valuation of investment assets. As at 31 December 2008, 98% of the investment assets were classified as investments that are traded using quoted market prices in active markets (level 1). An active market is characterised by regular market transactions in identical assets on an arm's length basis. This includes listed equities, listed debt securities and quoted unit trusts in active markets.

The balance of the investment assets are valued using models with significant observable market parameters (level 2), or valued using models with significant unobservable market parameters (level 3).

For level 2 investment assets these are measured on a fair value basis from inputs other than quoted prices that are observable either directly or indirectly for the asset.

Level 3 investment assets have little, if any, market activity so that there are no observable inputs available. In such cases, unobservable inputs reflect the insurer's own assumptions about the inputs that market participants would use in pricing the asset.

The valuation of level 3 investments are carried out on a prudent basis and as such any revaluations have already been reflected within the investment return and no additional provision for reasonably foreseeable adverse variations on level 3 investment assets are required.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

***1402* Liabilities**

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the long term insurance business.
- (c) In common with the Life Insurance industry, the Company has experienced a large number of complaints in respect of mortgage endowment business. A provision has been established, but the ultimate redress cost may be greater or smaller than is currently provided and will be dependent on the level of complaints and the period over which the policies were written.
- (d) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

***1405* Other adjustment to liabilities**

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

	2008	2007
	£'000	£'000
Valuation differences between Peak 1 and Peak 2 liabilities	34,194	117,046
Reclassification of debtors and creditors	(215)	12,348
Other adjustments		1
Form 14 line 74	33,979	129,395

***1502* Liabilities (other than long term insurance business)**

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the long term insurance business.
- (c) There are no contingent liabilities.
- (d) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

1507 Adjustments to liabilities

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

	£'000
UK GAAP loan interest accrued not recognised under FSA rules	16,618
Form 15 line 83	<u>16,618</u>

1508 Subordinated loan

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

Subordinated loan agreement

Under this agreement, the Company has a loan facility from PLH, whereby support is provided where it is anticipated that the company has insufficient capital to meet the "Capital Test". The Capital Test requires there to be capital of £50m in excess of the larger of the Individual Capital Assessment (ICA), as required under GENPRU 1.2 as enhanced to satisfy any Individual Capital Guidance (ICG) provided by the FSA, and the Capital Resources Requirement, as shown on Form 2, line 41, of the returns to the FSA, if Form 2 was to be prepared on the date concerned (ignoring for this purpose any adjustment required by GN45). The loans are repayable at the company's discretion, giving at least 6 months notice to the lender, to the extent that the Capital Test is met and with the prior consent of the FSA. The amount available to the Company under the subordinated loan agreement is limited to £270.0m (2007: £200.0m). Interest is due under this loan agreement at LIBOR plus 2%, but is only payable at the Company's discretion, giving 30 days notice to the lender and is shown under creditors. On 31 December 2008 the Company had drawn-down £270.0m (2007: £200.0m).

Internal capital support memorandum

Under this memorandum, the Company has agreed with PLH 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 2008 was £270.0m (2007: £200.0m). Assets are transferred from the SH memorandum account to the LTF memoranda accounts when the Company becomes aware that the value of assets comprised in the LTF have fallen (or are likely to fall) below the "Threshold Amount". The Threshold Amount is £25.0m in excess of the requirements under both the statutory and realistic solvency regulations. The amount transferred from the SH memorandum account to the LTF memoranda at 31 December 2008 was £290.6m (2007: £207.0m) including accrued interest. Assets are repayable to the SH memorandum account from the LTF memoranda accounts out of profits arising in the Long Term Fund to the extent that the assets comprised in the LTF are greater than the Threshold Amount, subject to receipt by the Company of permission in writing of the FSA. Of the amount transferred from the SH memorandum account into the LTF memoranda accounts, £165.5m (2007: £70.0m) was required to achieve a realistic basis surplus of £nil.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

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

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

***1603* Other income and charges**

The charge of £5,359,000 (2007: £4,145,000) on Form 16 Line 21 relates to project expenses charged to the shareholder fund. This also applies to the 2007 value.

***1700* Form 17 Total other than long term insurance business assets**

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

***1801* Regulatory current liabilities of the fund**

Form 18 line 22 is analysed as follows:

	2008	2007
	£'000	£'000
Form 14 line 49	775,904	236,377
Internal capital support	290,631	206,991
	<u>1,066,535</u>	<u>443,368</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.3

4004 Business transfers

During the year, £123.1m of vesting annuities have remained within the Fund. These amounts have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively but as "other income" and "other expenditure". As these amounts are not single premiums on Form 41 they have not be included in the new business Form 46 and Form 47.

4008 Provision of management services

Management services have been provided during the year by Pearl Group Management Services Limited and Ignis Asset Management Limited (formerly Resolution Management Services Limited and Resolution Asset Management Limited). Both companies are part of the Pearl group of companies.

4009 Material connected party transactions

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

During the year the company reassured premiums of £50,196,000 with Phoenix Life Limited.

4010 Unit linked investment income

Included within Form 40 Line 12 is £17,000 of Unit Linked Investment income (2007: £106,000).

4011 Expenses payable

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

4401 Basis of valuation of assets

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

The assets held to cover linked liabilities, as at 31 December 2008 are as below:

	2008
	£'000
Property linked annuity	462
Capital International Bond	746
Equity Fund	599
Total	<u>1,807</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.3 (continued)

***4801* "Asset Share" Philosophy**

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 from Defaulted Assets**

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

***4803* Treatment of Securities with Variable Redemption Dates**

For variable redemption dates securities the latest possible redemption rate is used. The market values are as follows:

Earliest maturity date	£0.0m
Latest maturity date	£291.3m
Total Optional maturity date	£291.3m

***4804* Assets With a Range of Yields**

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* Assets Backing the With Profits Benefits Reserve**

The asset mix underlying an individual policy asset share varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate. The assets backing the with profits benefit reserve as at 31 December 2008 were:

Asset Type	2008
	£'m
Land and buildings	287
Approved fixed interest securities	1,722
Other fixed interest securities	687
UK listed equity shares	249
Non UK listed equity shares	79
Other assets	137

***4807* Return on Fixed Interest Securities**

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* Return on Variable Interest Securities**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

NOTES TO APPENDIX 9.3 (continued)

4809 Treatment of Swaps and Futures

The Company holds a number of swaps in connection with its fixed interest assets. The value of the swaps as shown in Form 17 column 1 is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to fixed interest securities as described in Appendix 9.4 paragraph 4.9 in proportion to the market value of the underlying fixed interest securities. The yield shown in column 4 reflects the overall impact of this aggregation but including those swaps included in Form 17 column 2 as well.

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

4810 Net Return on "Asset Shares"

The entry in Line 33 column 5 is after tax.

4901 Rating Agency Used for Split by Credit Rating

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

4902 Fixed and Variable Interest Assets – Economic Effect of Swaps

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.

5201 Number of group schemes without records at member level

Product Code	Number of Group Schemes
535	16

5500 Form 55 has been omitted because of the operation of the de minimus rules.

5600 Form 56 has been omitted because of the operation of the de minimus rules.

5801 Transfer from non-technical account

During the financial year, the long term insurance business fund received £75m of capital support from the shareholder fund. As at the end of the financial year, the long term insurance business fund transferred £3m to the non-technical account. Both of the figures have been reported gross on Form 58 to provide an understanding of the movements between the long term insurance business fund and the shareholder fund.

	2008
	£'000
Transfer from the non-technical account - Form 58 line 32	75,000
Transfer to non-technical account - Form 58 line 13	(3,062)
Transfer from non-technical account - Form 40 line 26	<u>71,938</u>

Returns under the Accounts and Statements Rules

Statement of Additional Information on Derivative Contracts required by rule 9.29

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

(a) Investment Guidelines

Derivative contracts will be held in the long-term funds as a result of:

(i) discretionary powers exercised by the Investment Manager within the constraints laid down by the Investment Management Agreement or otherwise stipulated by the Company. The Investment Management Agreement requires that derivative contracts may only be used for the purposes of efficient portfolio management and specific examples include the implementation of tactical asset allocation decisions and changes to the strategic benchmark and cashflow management purposes. The Investment Manager is required to comply with all relevant rules regarding the use of derivative contracts in insurance.

(ii) investment decisions made by the Company to reduce the degree of market risk within the long-term funds. Specific examples include the use of interest rate swaps to improve cashflow matching, interest rate swaptions to hedge interest rate risks on policies with guaranteed annuity options or guaranteed cash options and equity index futures and options to hedge the market risk on policies with policy options and guarantees. The Company operates an appropriate control environment in which such investment decisions are taken and implemented.

(b) The Investment Management Agreement referred to in (i) above does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

Investment decisions referred to in (ii) above do involve the use of such derivatives to hedge the funds against interest rate and other market movements. For instance the Company holds payer swaptions where the fixed rate is as high as 8.4% p.a.. However, changes in the value of these options arising from changes in market interest rate expectations provides a hedge against movements in the cost of guarantees attaching to certain policies.

(c) The Company holds payer swaptions with an aggregate nominal of £1.2bn where the fixed rate exceeds 8% p.a..

(h) The Company did not hold any derivatives or quasi-derivatives during the financial year which required a significant provision under INSPRU 3.2.17R or which fell outside the definition of a permitted derivatives contract.

(i) The total value of any fixed consideration received by the Company during the financial year in return for granting rights under derivative contracts was £0.03m comprising:

Equity call options:	£0.03m
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Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

- (1) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:
- (a) Pearl Life Holdings Limited (formerly Resolution Life Limited);
 - (b) Pearl Group Holdings (No.1) Limited (formerly Resolution plc) (ceased to be a controller on 31 December 2008);
 - (c) Impala Holdings Limited;
 - (d) Pearl Assurance plc;
 - (e) Pearl Group Limited;
 - (f) Sun Capital Investments Limited;
 - (g) Hera Investments One Limited;
 - (h) Sun Capital Investments No.2 Limited
 - (i) Hera Investments No. 2 Limited
 - (j) Xercise Limited (ceased to be a controller on 16 April 2008);
 - (k) Jambright Limited (ceased to be a controller on 16 April 2008);
 - (l) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas (ceased to be controllers on 16 April 2008);
 - (m) TDR Capital Nominees Limited (ceased to be a controller on 16 April 2008); and
 - (n) TDR Capital LLP (ceased to be a controller on 16 April 2008).
- (2) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:
- (a) Pearl Life Holdings Limited (formerly Resolution Life Limited)

As at 31 December 2008, Pearl Life Holdings Limited owned 100% of the shares of Phoenix Life Limited and was able to exercise 100% of the voting power at any general meeting.
 - (b) Impala Holdings Limited

As at 31 December 2008, Impala Holdings Limited owned 100% of the shares of Pearl Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.
 - (c) Pearl Group Limited

As at 31 December 2008, Pearl Group Limited owned 75% of the shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking and was able to exercise 75% of the voting power at any general meeting.
 - (d) Sun Capital Investments Limited

As at 31 December 2008, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.
 - (e) Hera Investments One Limited

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

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

(f) Sun Capital Investments No. 2 Limited

As at 31 December 2008, Sun Capital Investments No.2 Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

(g) Hera Investments No.2 Limited

As at 31 December 2008, Hera Investments No.2 Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

APPENDIX 9.4

PHOENIX & LONDON ASSURANCE LIMITED

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2008.

(2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2007.

(3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2007.

2. PRODUCT RANGE

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

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

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

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

Mortgage Savings Plan, Regular Savings Plan and Universal Protection Plan

MVRs on these contracts have applied throughout the period since the previous valuation to premium paying policies or increments with entry years of 1997 to 2001 and 2003 to 2008. MVR's have applied to all premium paying policies for parts of the year.

Unitised With Profits Bond

MVRs have been applied throughout the period since the last valuation (except on guarantee dates) for most policies or increments for all commencement dates. However, in January 2008, no MVR applied to policies commencing before September 1996.

UWP Group Pensions

MVRs on these contracts have been applied for parts of the period since the last valuation to increments to policies commencing after 2005.

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 policies have been applied during the period to single premium policies or increments with entry years of 1999, 2000 and 2006 to 2008. For regular premium paying policies, MVRs have been applied during the period to policies or increments commencing after 2003.

(2) Premiums on Reviewable Protection Policies

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

For Progressive Protection Plan a change to premium rates is permitted but did not occur during the report period. The gross reserves for Progressive Protection Plan at the valuation date amounted to £23.6m.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

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

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

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

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

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

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

For Executive Pension Plan the monthly policy charges changed as follows

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

(5) Benefit Charges on Linked Policies

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

(6) Accumulating With-Profits Charges

When determining terminal bonus or MVR's expenses are notionally charged to the specimen policy asset shares in respect of Unitised with-profit bonds.

The annual maintenance expenses have been increased from £29.98 pa to £33.96 pa.

Charges for guarantees and smoothing between January 2008 and June 2008 were increased to 1.1% pa of asset share (0.75% pa for business written on or after 1 July 1998) and to 1.25% pa of asset share (0.90% pa for business written on or after 1 July 1998) with effect from 1 July 2008.

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

(7) Unit Pricing of Internal Linked Funds

Immediate Annuity Fund

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

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

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

Other Internal Linked Funds

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

(8) Tax Deductions From Internal Linked Funds

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

(9) Tax Provisions for Internal Linked Funds

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

(10) Discounts on Unit Purchases

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

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used are as follows:

Gross Premium Method

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

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

Accumulating With-Profits Policies

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

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

valuation date, having regard to the representations of the company; and

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

Other Products

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

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

Calculation Notes

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

Individual Permanent Health Insurance contracts with an extra premium have an additional reserve of 2 years' extra premiums.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

	Current Valuation	Previous Valuation
Life Business		
With-Profits Endowment Assurances	2.95%	4.30%
Other With-Profits Assurances	2.60%	3.20%
UWP Bond	2.60%	3.20%
Non-Profit Endowment Assurances	2.60%	3.20%
Other Non-Profits Assurances	2.60%	3.20%
Annuities in payment (new GAF)	4.85%	5.10%
Annuities in payment (old GAF)	5.40%	5.65%
Monies on Deposit	4.00%	4.00%
RPI Linked Annuities in payment (net)	0.60%	0.65%
PHI		
Claims In Payment	4.95%	4.90%
Other	3.30%	3.80%

	Current Valuation	Previous Valuation
Pensions Business		
With Profits Pure Endowment & With Profits Deferred Annuities – Regular		
	3.65%	4.19%
With Profits Pure Endowment & With Profits Deferred Annuities – Single premiums and paid-ups:		
Initial rate	4.45%	4.80%
Reinvestment rate	3.80%	4.01%
Annuities in Payment	5.40%	5.65%
RPI Linked Annuities in payment	0.75%	0.85%
RPI Linked Deferred Annuities	0.75%	0.85%
Non-Profit Assurances	3.35%	3.93%
Non-Profit Deferred Annuities		
Pre Vesting	3.35%	3.93%
Post Vesting	3.35%	3.93%
Monies on Deposit	7.00%	7.00%

(3) Risk Adjustments

(a) Approved Securities:

No reduction

(b) Other Securities

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

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

Rating	5yr	10yr	20yr
Aaa	4.6	13.9	17.1
Aa	19.7	35.5	49.4
A	31.2	44.8	59.4
Baa	88	109.1	121
Ba	268.4	284.9	288.5
B	599.9	524.4	425.4

A number of different techniques are then employed to arrive at the final adjustment to the yield, namely:

For bank subordinated debt, a higher risk was recognised by imposing a nil recovery rate on the above default rates. Yields were then adjusted downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors). Finally, an additional deduction to the yield was applied to around 10% of stocks, which was based on a stock-by-stock analysis of abnormal default or coupon deferment risk. To avoid spurious precision, the addition applied was, in most cases, a doubling of the base adjustment. In some cases, the

adjustment was lower and in a few cases much higher, where a default had either effectively happened or was considered extremely likely.

An additional prudence has then been applied by increasing the risk margin deduction by 25%.

(c) Variable Yield Securities No adjustment

(d) The yield on equity shares and land was reduced by 2.5% of that yield.

(e) All other assets producing income – A reduction of 0.5% (r) of the yield

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

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Endowment and Whole of Life Assurances	81% AM92 110% AF92	82.0% AM92 107.1% AF92
Term Assurance - aggregate	95% TM92 116% TF92	94.5% TM92 89% TF92
Term Assurance - non-smoker	79% TM92 95% TF92	78.8% TM92 74% TF92
Term Assurance - smoker	200% TM92 237% TF92	142% TM92 142% TF92
Pensions pre-vesting and pension term assurances	52.6% AM92 59.3% AF92	53.0% AM92 59.7% AF92
Life Annuities in Payment	Modified IM80 c2010 Modified IF80 c2010	Modified IM80 c2010 Modified IF80 c2010
Pensions post vesting	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Pensions immediate annuities	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020

Life annuities currently in payment

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

Males: 80.0% (81.3%) of IM80 (c=2010) improving at 1.5% (1.5%) p.a.
 Females: 81.0% (82.0%) 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	21.53	24.40	21.37	24.28
75	13.49	15.43	13.37	15.33

Pension annuities currently in payment

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

		Current valuation		Previous valuation	
		Male	Female	Male	Female
at age	65	126.1%	120.8%	130.5%	124.2%
at age	75	75.5%	89.0%	78.0%	91.3%
at age	85	74.4%	91.6%	75.9%	92.9%
at age	95	76.8%	93.6%	77.7%	94.4%

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

Males	2009	2019	2029	2039	2049	2059
65	3.40%	2.42%	2.19%	2.00%	2.00%	1.95%
75	4.20%	3.34%	2.57%	2.09%	2.00%	1.95%
85	2.31%	2.30%	2.67%	2.21%	1.98%	1.95%
95	1.25%	1.40%	1.78%	1.88%	1.75%	1.75%

Females	2009	2019	2029	2039	2049	2059
65	2.70%	2.19%	1.88%	1.80%	1.77%	1.48%
75	3.08%	2.66%	2.09%	1.89%	1.77%	1.48%
85	1.57%	1.92%	2.21%	1.98%	1.90%	1.48%
95	0.90%	1.25%	1.55%	1.75%	1.73%	1.38%

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

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	25.46	26.53	25.25	26.38
75	15.49	16.56	15.33	16.45

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

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

		Current valuation		Previous valuation	
		Male	Female	Male	Female
up to age	55	520.5%	462.1%	533.6%	471.7%
at age	65	138.3%	126.5%	143.2%	130.1%
at age	75	82.8%	93.2%	85.5%	95.6%
at age	85	81.6%	96.0%	83.2%	97.3%
at age	95	84.3%	98.1%	85.2%	98.8%

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

Males	2009	2019	2029	2039	2049	2059
55	2.40%	1.89%	2.00%	2.00%	2.00%	1.95%
65	3.40%	2.42%	2.19%	2.00%	2.00%	1.95%
75	4.20%	3.34%	2.57%	2.09%	2.00%	1.95%
85	2.31%	2.30%	2.67%	2.21%	1.98%	1.95%
95	1.25%	1.40%	1.78%	1.88%	1.75%	1.75%

Females	2009	2019	2029	2039	2049	2059
55	2.20%	1.72%	1.80%	1.80%	1.77%	1.48%
65	2.70%	2.19%	1.88%	1.80%	1.77%	1.48%
75	3.08%	2.66%	2.09%	1.89%	1.77%	1.48%
85	1.57%	1.92%	2.21%	1.98%	1.90%	1.48%
95	0.90%	1.25%	1.55%	1.75%	1.73%	1.38%

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

	Current Age	Expectation of life from Age	Current Year		Previous Year	
			Males	Females	Males	Females
Deferred annuities	45	65	28.88	29.82	28.68	29.68
	55	65	26.88	28.05	26.68	27.91

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

(5) Morbidity Basis

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

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

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

Recovery rates expressed as a percentage of CMIR12 for all durations

Age	Table	Current Year		Previous Year	
		Male	Female	Male	Female
25	CMIR12	52.00%	52.00%	51.80%	51.80%
35	CMIR12	52.00%	52.00%	51.80%	51.80%
45	CMIR12	52.00%	52.00%	51.80%	51.80%
55	CMIR12	52.00%	52.00%	51.80%	51.80%

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

Mortality for Individual Permanent Health Insurance as at the previous valuation was assumed to be 76% TM92 for males and 76% TF92 for females.

(6) Expenses

For policies valued using a gross premium valuation, allowance has been made for renewal commission as paid and an annual renewal expense in accordance with the expense table below inflating at 6.34% p.a.

For with-profits bonds renewal expenses we have compared the value of future policy fees with the value of future renewal expenses in accordance with the expense table below inflating at 6.34% 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 6.34% p.a. Renewal commission is assumed to be payable from the margins within future premium allocations.

The inflation rate assumed in last year's valuation was 7.3% p.a..

Expense Table

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Annuity (400)	15.93	16.16
All other classes ¹	33.77	34.27

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

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

(7) Unit Growth Rates

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

(8) Future Bonus Rates

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

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

Product	2009 p.a	2010 p.a	2011 & later p.a
Bonds	0.50%	0.08%	0.00%
Other life	0.50%	0.08%	0.00%
UWP Group pensions	2.00%	0.33%	0.00%
Other pensions	1.00%	0.17%	0.00%

(9) Persistency Assumptions

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

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

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

Initial Surrender Rates (%)

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	-	2.1%	1.4%	1.4%
CWP target cash endowment	Surrender	-	2.8%	2.8%	2.8%
CWP Executive Pension	Pup	9.1%	9.1%	9.1%	9.1%
CWP Executive Pension	Surrender	3.5%	3.5%	3.5%	3.5%
CWP Personal pension - regular premium	Pup	3.8%	3.6%	2.1%	2.1%
CWP Personal pension regular premium	Surrender	1.5%	1.2%	1.5%	1.5%
CWP Personal pension single premium	Surrender	0.6%	0.9%	1.1%	1.1%

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

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

(10) Other Material Assumptions

Not applicable.

(11) Allowance for Derivatives

The Company holds a number of swaps in connection with its fixed interest assets. The effect of the swaps has been taken into account by adding the value of the fixed interest assets to the value of the swaps and adjusting the yield on the fixed interest assets to take account of the effect of the swaps. The effect of the swaps has been

determined by assuming that the future yields are in accordance with the yields implied by the forward swap curve.

We hold a number of Swaption contracts to hedge against interest rate falls impacting the guaranteed annuity option reserves. Further details are provided in section 5 below.

We hold a number of Spreadlock contacts to assist in managing the risk of variation in the spreads on the Swap contracts that are held. These contacts do not directly impact the long term insurance liabilities.

(12) Effect of Basis Changes

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

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

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

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

85% for Pension Reserve contracts

85% for Personal Pension Scheme protected rights contracts

85% for Additional Pension Plan contracts

81% for Executive Benefits Plan and Retirement Security Plan

85% for Personal Pension Plan and Personal Pension Scheme contracts

85% for Transfer Plan

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

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

- The expenses of payment are 2.85% 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 a market consistent stochastic model (as used to determine the realistic value of options and guarantees for the realistic balance sheet). After adding a margin for prudence, if the aggregate market consistent value is higher than the reserves then the reserves are increased to provide a suitable margin over this cost. However, the reserves calculated as above produced a greater reserve than that calculated using the market consistent approach.

(b)

(i) Product Name	(ii) Basic Reserve £m	(iii) Spread of outstanding durations Years	(iv) Guarantee Reserve £m	(v) Guaranteed Annuity Rate (Male at 65)	(vi) Increments	(vii) Form of annuity ²	(viii) Retirement Ages
Additional Pension Plan	8.4	0 to 41	3.6	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Executive Benefit Plan	131.2	0 to 39	57.3	10.0% 7.6% 8.1% 5.6%	Yes ¹	Level - single life Esc 4% - single life Level - 60% spouse Esc 4% - 60% spouse	Ages 50 to 75
Retirement Security Plan	93.6	0 to 41	38.4	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Transfer Plan	268.9	0 to 34	105.5	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
PPP81	319.1	0 to 31	163.9	10.0% 8.1%	Yes	Level - single life Level - 60% spouse	Ages 50 to 75
Fowler	426.0	0 to 43	204.6	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Fowler (DSS)	748.8	0 to 35	301.1	10.0% 8.1% 8.3% 6.4%	Yes ¹	Level - single life Esc 3% - single life Level - 50% spouse Esc 3% - 50% spouse	Ages 60 to 75
Pensions Reserve	15.6	0 to 32	7.3	10.0% 8.1%	Yes ¹	Level - single life Level - 60% spouse	Ages 50 to 75

¹ Benefits secured by increments commencing after 1 December 1998, DSS payments received after 30 June 1999 or on payments received on Transfer Plan after 31 July 1999 do not include a guaranteed annuity option.

² Annuity is payable monthly in advance and guaranteed for 5 years. The forms of annuity represent the various forms assumed in the reserving calculation. Not all forms are necessarily contractual obligations and may represent a concession by the Company.

(2) Guaranteed Surrender and Unit-linked Maturity Values

UWP Bond

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

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

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

(i) Product Name	Unitised With-Profits Bond
(ii) Basic Reserve	£14.9m
(iii) Spread of Outstanding Durations	0-11 months
(iv) Guarantee Reserve	£0.6m
(v) Guaranteed Amount	£0.6m
(vi) MVR Free Conditions	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or regular withdrawal within certain limits
(vii) In Force Premiums	N/A
(viii) Increments	No

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

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

Guaranteed Unit-Linked Maturity Values

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

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

(3) Guaranteed Insurability Options

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

Some of the term assurance policies include options to convert to other policies without requiring further evidence of health. Take-up of this option has been

extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

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

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	6.9	0.0	11.9	9.7	28.5
All expenses attributable	6.9	0.0	11.9	n/a	18.8
Total	6.9	0.0	11.9	9.7	28.5

(2) Implicit Allowances

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

(3) Form 43 Comparison

Of the aggregate amount in 6.1, £18.8m would be reported on line 14 of Form 43. This amount is not significantly different from the amount reported on that line in this Return and reflects an expected small reduction in the expenses arising in the company in 2009. The balance of the aggregate amount in 6.1 would be reported on lines 13 and 15 of Form 43.

(4) New Business Expense Overrun

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

(5) Maintenance Expense Overrun

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

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

An allowance has been made for redundancy costs in respect of redundancies following compensation review exercises. The company is not liable for redundancy

costs in general due to its outsourcing arrangement with Pearl Group Management Services.

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

(6) Non-attributable expenses

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

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

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

Currency	Mathematical Reserves	Percentage matched in same currency
	£m	
Sterling (£)	5,515.0	100%
Other	1.2	100%
Total	5,516.3	

(2) Other Currency Exposures

See table in paragraph 7 (1).

(3) Currency Mismatching Reserve

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

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

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

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

Not applicable.

(6) Resilience Capital Requirement

Not applicable.

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

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

8. OTHER SPECIAL RESERVES

Details of other special reserves are set out below:

Description	Reserve
	£m
Data Contingency Reserve	20.0
Litigation Reserve	15.0
Tax credit reversal	14.7

Additional Reserves

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

- Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business.
- Reserves for future litigation settlements and other similar costs.
- An asset of £42.9m in relation to group tax relief of notional case 1 losses is held in Form 13. The value of this tax benefit to the long term fund has been assessed to be £28.2m. A provision of £14.7m has therefore been made to allow for the difference.

9. REINSURANCE

(1) Unauthorised reinsurers

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

(2) Reinsurance Treaties

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

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

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

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

(i) There are no undischarged obligations

(n) Credit risk arises from a possible failure of the 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 reinsurance with other companies in the Pearl group.

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

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

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

For the purposes of the regulatory valuation no provision has been made for the contingent repayment of £290.6m from the long-term fund to the shareholder fund.

(d) Name of Reinsurer	(e) Type of Business	Type of Reinsurance	Extent of Cover	(f) Premiums £000s	(i) Reserve Ceded £m	(l) Authorised in UK	(m) Connected to Company
Revios Re	Individual Life Assurance	2nd Surplus	100,000	-18.4	See Note 2	No	No
*Munich Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	375,000	-1.2	See Note 2	Yes	No
Phoenix Life Limited	Note 1 (a)	Original Terms	No maximum	4,300.0	714.3	Yes	Yes
Phoenix Life Limited	Note 1 (b)	Original Terms /Risk Premium	Max of 350,000	36,100.0	140.0	Yes	Yes
Phoenix Life Limited	Note 1 (c)	Original Terms	No maximum	13,100.0	109.4	Yes	Yes
Hannover Re	Individual Life Assurance	2nd Surplus	200,000	49.5	See Note 2	Yes	No
Swiss Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	1,125,000	-86.6	See Note 2	Yes	No
GE Frankona	Individual Life Assurance	1st Surplus (Risk Premium)	375,000	44.2	See Note 2	Yes	No
*Scottish Re	Individual Life Assurance	2nd Surplus (Risk Premium)	50,000	-10.9	See Note 2	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
Executive Pension Plan
Company Pension Scheme
Company Additional Pension Scheme
Individual Personal Pension Plan
Group Personal Pension Plan
Personal Additional Pension Plan;

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

- (b) The reinsurance of certain with-profits endowments and Moneymaker contracts on original terms.

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

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

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

- (c) The reinsurance of:

- (i) UWP Bond business written after September 1997

- (ii) The UWP liabilities for:

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

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

Note 2:

Reinsurance ceded external reserves total £11.4m. This total has not been split between the respective reinsurers.

10. REVERSIONARY (OR ANNUAL) BONUS

(1) Details of bonus rates

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

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
Category 1 Contracts	2,843.2	0.05/0.05	0.05/0.05	0.05/0.05
Category 2 Contracts	1,304.7	0.10/0.10	0.10 /0.10	0.10/0.10
UWP Group Pensions	20.6	2.00	2.00	0.00
UWP life ¹	35.8	0.50	0.50	0.00

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

Category 1 contracts are:

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

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

(2) Unitised with-profits business unit price increases

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. For business retained by the Company the reversionary bonus rate was 0.5% throughout 2008. The UWP Group Pensions business was previously reassured to Phoenix Life Limited but this was cancelled at the end of 2008. The remaining business continues to be reassured to Phoenix Life Limited is described in the Returns of that Company.

(3) Super compound bonus

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

(4) Bonus series

Within a bonus series bonus rates do not vary.

APPENDIX 9.4A

PHOENIX & LONDON ASSURANCE LIMITED

Abstract of Valuation Report for Realistic Valuation

1. INTRODUCTION

(1) Valuation Date

The valuation date is 31 December 2008.

(2) Previous Valuation

The previous valuation related to 31 December 2007.

(3) Interim Valuations

There was no published interim valuation.

2. ASSETS

(1) Economic Assumptions for Valuing Non-Profit Business

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

	Current Valuation	Previous Valuation
Gross investment return	See below	See below
Risk discount rate	See below	See below
RPI inflation	2.54%	3.50%
Expense inflation	6.34%	7.30%

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

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

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

The yield curve for the valuation date was built by Barrie & Hibbert using a regression spline technique for the interpolation and extrapolates using the Nelson-Siegel form. This provides an improvement in the fit especially at longer durations compared to simply using the Nelson-Seigel form (used for the previous valuation).

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

Term (years)	Risk Free Rate	
	Current Valuation	Previous Valuation
1	1.22%	4.55%
2	1.87%	4.50%
3	2.31%	4.54%
4	2.63%	4.59%
5	2.87%	4.63%
6	3.06%	4.65%
7	3.22%	4.67%
8	3.35%	4.68%
9	3.47%	4.69%
10	3.58%	4.69%
12	3.81%	4.68%
15	4.13%	4.65%
20	4.34%	4.57%
25	4.08%	4.47%

Allowance has been made under INSPRU 1.3.39G for the illiquid nature of a proportion of the assets (namely the corporate bonds) backing the immediate non-profit annuities within the Fund.

A liquidity premium has been calculated by taking the difference between the present value of the cash flows arising from these bonds on two yields. The first is a yield equal to the equivalent risk free rate for the bond, increased by an allowance for the risk of default; the second is the gross redemption yield of the bond. The adjustment for the risk of default varies on a bond by bond basis but on average it amounts to an increase of approximately 1.0%.

A deduction of 10% of the aggregate value of the liquidity premium is then made to provide a margin to cover the risk of any unexpected mismatch between the assets and liabilities.

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

Not applicable.

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

Not applicable.

(4) Different Sets of Assumptions

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation of With-Profits Benefits Reserve

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
With-profits – Whole Life	Prospective	34	(2)
With-profits – Other Life	Retrospective	1,336	(69)
With-profits – Pensions (Regular and Single Premium)	Retrospective	1,279	949
With-profits – Pensions (Paid-Up)	Prospective	514	381
UWP Life	Retrospective	57	(1)
Other		3	0
Total		3,224	1,258
Form 19 Line 31		3,224	
Form 19 Line 49			1,258

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

(2) Correspondence with Form 19

Not applicable.

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

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

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

(a), (b)

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

(i) Whilst the asset shares have been calculated using individual data in all cases, the method used for unitised with-profits business has been the application, to the individual data, of a factor (ratio of asset share to face

value of units) which has been calculated by reference to grouped / sample data. This is consistent with the way the business is operated in practice.

(2) Significant Changes To Valuation Methods

There have been no changes in the methods or assumptions since the previous valuation.

(3) Expense Allocation

(a) The previous expense investigation was carried out in the fourth quarter of 2008.

(b) Expense investigations are normally carried out on an annual basis.

(c)

	Item	£m
(i)	Initial Expenses	Nil ¹
(ii)	Maintenance Expenses	9.6
(ii)	Investment Expenses	4.3
(iii)	Method	Average expense charge deducted
(iv)	Expenses charged other than to with-profits benefits reserve	15.7

The expenses included in (iv) above include further investment expenses, other policy expenses that are not charged to asset shares (including the expenses associated with the non profit business), project costs and commission payments.

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

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

(4) Significant Charges

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

	Current Valuation	Previous Valuation
	£m	£m
Net losses on non-profit business	25.1	22.8
Proportion of up-front outsourcing costs attributable to the period	0.0	4.4
Write-off of initial spreads on derivative contracts	16.4	16.4
Charges for guarantees and smoothing	74.8	63.0

(5) Charges For Non-Insurance Risk

Not applicable.

(6) Ratio Of Claims To Reserves

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
1/1/2006 to 30/4/2006					
10 year term	101*	105*	106*	96*	114*
15 year term	95*	102*	98*	94	105*
20 year term	92	99*	102*	92	103*
25 year term	92				
1/5/2006 to 31/8/2006					
10 year term	104*	106*	110*	92	117*
15 year term	95*	103*	102*	92	109*
20 year term	92	101*	103*	92*	104*
25 year term	92				
1/9/2006 to 31/12/2006					
10 year term	99*	108*	116*	92	120*
15 year term	94*	105*	105*	92	112*
20 year term	92	101*	111*	94*	111*
25 year term	92				
1/1/2007 to 30/4/2007					
10 year term	99*	110*	113*	99*	123*
15 year term	95*	108*	98*	95*	114*
20 year term	93	106*	105*	96	110*
25 year term	93				
1/5/2007 to 31/8/2007					
10 year term	98*	109*	129*	99*	130*
15 year term	93*	107*	109*	96*	111*
20 year term	93	103*	116*	94	113*
25 year term	93				
1/9/2007 to 31/12/2007					
10 year term	97*	108*	135*	99*	135*
15 year term	93*	107*	112*	98*	115*
20 year term	93	104*	118*	95*	115*
25 year term	93				
1/1/2008 to 30/6/2008					
10 year term	98*	110*	144*	94*	144*
15 year term	94*	108*	122*	100*	129*
20 year term	94	110*	123*	99*	115*
25 year term	94				
1/7/2008 to 31/12/2008					
10 year term	105*	119*	168*	103*	167*
15 year term	105*	120*	143*	114*	161*
20 year term	100	125*	144*	115*	140*
25 year term	101				

* Denotes that a zero terminal bonus rate applied

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

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

Year	
2004	98.00%
2005	91.0% to 95.0%
2006	91.9% to 100%
2007	92.8% to 100%
2008	92.1% to 100%

(7) Allocated Return

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

The average rates of investment return (before tax) added for the year to 31 December 2008 are:

Product Type	Investment Return
Conventional Life	(2.90)%
Conventional Pensions	4.40%
UWP Bond and Group Pension	(11.10)%
Other UWP Life	(7.50)%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

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

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

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

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

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

Economic Assumptions	
Discount rate p.a.	3.65%
Investment Return p.a.	3.65%
Expense Assumptions	
Investment Expense p.a.	0.10%
Per policy Expenses p.a.	£33.46
Expense Inflation p.a.	6.34%
Bonus Assumptions	
Reversionary Bonuses	
On Basic Sum Assured	0.10%
On accrued bonuses	0.10%

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

Sample terminal bonus rates are as follows:

Elapsed Term in Years								
	2009	2014	2019	2024	2029	2034	2039	2044
10	6.1%	14.0%						
15	1.4%	15.5%	17.5%					
20	5.0%	13.3%	26.9%	29.0%				
25	19.9%	21.9%	21.5%	40.0%	41.5%			
30	83.6%	42.3%	32.8%	31.3%	43.6%	34.7%		
35	212.0%	131.6%	55.4%	40.0%	51.3%	83.1%	87.6%	
40	670.8%	304.0%	161.3%	87.2%	57.6%	71.5%	107.4%	106.1%

There are no lapses.

Paid-Up With-Profits Pensions Business

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

Economic Assumptions	
Discount rate p.a.	6.125%
Investment Return p.a.	6.125%
Expense Assumptions	
Investment Expense p.a.	0.125%
Per policy Expenses p.a.	£33.46
Expense Inflation p.a.	6.34%
Bonus Assumptions	
Reversionary Bonuses	
On personal pension deferred annuities	0.10%
On other products	0.05%

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

Sample terminal bonus rates are as follows:

Personal Pension Plan

Elapsed Term in Years	2009	2014	2019	2024	2029	2034	2039	2044
5	0.0%							
10	0.0%	0.0%						
15	0.0%	1.6%	3.3%					
20	0.0%	0.0%	2.9%	0.0%				
25	0.0%	0.0%	0.0%	0.0%	0.0%			
30	N/A	0.0%	0.0%	0.0%	3.8%	1.9%		
35	N/A	N/A	0.0%	0.0%	0.0%	6.9%	11.7%	
40	N/A	N/A	N/A	0.0%	0.0%	3.7%	17.5%	16.4%

Executive Benefit Plan

Elapsed Term in Years	2009	2014	2019	2024	2029	2034	2039	2044
5	8.0%							
10	2.5%	11.4%						
15	0.0%	6.7%	9.1%					
20	0.0%	0.0%	3.0%	3.9%				
25	0.0%	0.0%	0.0%	4.6%	7.0%			
30	15.2%	0.0%	0.0%	0.0%	7.5%	2.9%	N/A	
35	N/A	11.4%	0.0%	0.0%	0.0%	0.0%	N/A	N/A
40	N/A	N/A	29.1%	0.0%	0.0%	N/A	N/A	N/A

Personal Pension Plan (Deferred Annuity)

Elapsed Term in Years	2009	2014	2019	2024
25	N/A			
30	30.6%	N/A		
35	81.1%	43.2%	N/A	
40	223.8%	85.3%	51.9%	N/A

There are no lapses.

(2) Different Sets of Assumptions

Not applicable.

6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable

(2) Valuation Methods For Guarantees etc

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	Deterministic calculation	All business	261,010	5,796

(a) Cost of Guarantees & Options

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

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

The calculations were carried out using a risk neutral approach.

Format of the Guaranteed Annuity Rates (GARs)

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

Product	Weighting Factor
Fowler PPP (non DSS)	91%
Fowler PPP (DSS)	89%
Transfer Plan	88%
Executive Benefit Plan	93%
Pension Reserve	85%
Retirement Security Plan	90%
Additional Pension Plan	91%
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.

Based upon actual experience we assume that policyholders elect to take a proportion of their benefits as cash where permitted.

The whole of the guarantee liability is shown within the future cost of contractual guarantees.

Cost of Smoothing

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

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

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

Where there is currently an overpayment relative to the target we anticipate a change to terminal bonus rates effective from 1st July 2009 and assume that payouts can be cut by up to 7.5% at declarations every 6 months limited to 15% over a 12 month period.

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

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

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

This grouping allows for the asset mix associated with each cohort of business. It is aligned with the way in which we declare bonus rates on our business (our actual terminal bonus rate calculations 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 unitised with-profits (UWP) bonds).

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

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

(3) Significant Changes

There are no changes in methods or assumptions since the previous valuation.

(4) Further Information on Stochastic Approach

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

% Asset Share	Band A	Band B	Band C	Band D
Endowments & Whole Life	6.4%	12.2%	9.9%	71.5%
Conventional Pensions	80.7%	12.1%	2.1%	5.1%
Unitised With Profit Bond	4.0%	3.3%	21.7%	71.0%

Where:

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

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

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

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

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

The volatilities used for UK equities are set out in 6(4)(a)(vi). The split between UK and overseas equities was 76%/24%.

Corporate bond returns continue to be modelled using the extended Jarrow-Lando-Turnbull model. 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	Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash		1.00	0.03	0.19	(0.04)	0.09	(0.56)	0.00	(0.48)	0.81	0.42
Equities			1.00	0.07	0.32	0.12	0.08	0.58	0.31	0.13	0.21
Property				1.00	0.09	0.01	(0.09)	0.02	(0.06)	0.18	0.13
Overseas equities					1.00	0.14	0.15	0.24	0.21	0.14	0.26
5yr Govt ZCB						1.00	0.59	0.60	0.52	0.15	0.15
15yr Govt ZCB							1.00	0.41	0.88	(0.42)	(0.11)
5yr Corp ZCB								1.00	0.70	0.09	0.17
15yr Corp ZCB									1.00	(0.33)	(0.03)
5yr Index Linked ZCB										1.00	0.79
15yr Index Linked ZCB											1.00

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

- (iv) UK initial equity yield: 5.95%
UK initial property rental yield: 4.30%
- (v) Not applicable – there are no significant territories other than the UK.
- (vi) The following table shows the outstanding guarantees analysed by term. In addition, the guarantees in column B have a GAR at vesting at various strike rates as shown below.

Year	Guaranteed Benefit (Policies with no GAR)	Guaranteed Benefit (Policies with GAR)	PPPDA (Guaranteed Cash)
	£m	£m	£m
	A	B	C
2009	178	107	1
2010	122	103	1
2011	175	117	1
2012	208	133	1
2013	224	130	1
2014	155	134	2
2015	153	135	1
2016	62	142	2
2017	34	137	3
2018	29	148	2
2019	29	133	2
2020	5	144	3
2021	2	139	1
2022	1	134	1
2023	1	147	1
2024	1	155	0
2025	0	151	0
2026	0	142	0
2027	2	137	0
2028	0	133	0
2029	0	122	0
2030	0	113	0
2031	0	91	0
2032	3	79	0
2033	0	66	0
2034	0	51	0
2035	0	41	0
2036	1	30	0
2037	4	18	0
2038	0	10	0
2039	0	4	0
2040	0	2	0
2041	4	0	0
2042	2	0	0
2043	0	0	0

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

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

¹ guaranteed five years and payable monthly in advance

² payable annually in arrears

UK Equities

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

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

Market

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	40.95	37.59	34.45	31.92	30.05
3	37.48	35.68	34.01	32.40	31.21
5	37.11	35.71	34.43	33.28	32.26
10	36.44	35.48	34.57	33.77	33.16

Model

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	34.02	33.93	33.95	34.06	34.12
3	35.48	34.85	34.36	33.94	33.58
5	33.82	33.26	32.81	32.41	32.09
10	33.42	33.09	32.79	32.54	32.28

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

Term	Strike				
	0.8	0.9	1	1.1	1.2
15	37.56	36.82	36.21	35.70	35.23
20	35.84	35.25	34.76	34.37	34.02
25	33.30	32.93	32.64	32.41	32.21
30	35.97	35.40	34.92	34.53	34.21

Difference (Model – Market) %

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	(6.93)	(3.66)	(0.50)	2.14	4.07
3	(2.00)	(0.83)	0.35	1.54	2.37
5	(3.29)	(2.45)	(1.62)	(0.87)	(0.17)
10	(3.02)	(2.39)	(1.78)	(1.23)	(0.88)

Property

While the market in property options is developing the market is not yet sufficiently well developed and is not suitable for calibration. Property has been modelled as an equity-type asset using a constant volatility of 15%.

Fixed Interest

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

Term	Govt. + 10bp	Model	Difference (Model - Market bp)
1	1.22%	1.22%	0
2	1.87%	1.87%	0
3	2.31%	2.31%	0
4	2.63%	2.64%	1
5	2.87%	2.87%	0
7	3.22%	3.23%	1
10	3.58%	3.60%	2
15	4.13%	4.13%	0
20	4.34%	4.34%	0
25	4.08%	4.07%	(1)

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

Term	Market IV	Model	Difference (Model - Market bp)
1	27.20	18.54	(866)
2	21.00	19.36	(164)
3	18.50	19.66	116
4	17.20	19.64	244
5	16.00	19.40	340
7	15.00	18.77	377
10	14.60	18.26	366
15	16.40	15.57	(83)
20	16.10	13.48	(262)
25	14.30	13.21	(109)
30	12.40	12.93	53

Credit (Corporate Bonds)

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

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

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

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

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

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

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

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

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 4.9% 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, 1.5% of these prices.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

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

- a) Re-balancing of property and equities during 2009 to bring the actual asset mix into balance with the strategic target.
- b) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.
- c) An internal delta-hedge for equities and property which has an effect in the stress scenario.
- d) Reduction in equity/property backing as policies near guarantee date.
- e) We assume that policy classes do not move from the guarantee-related asset mix band to which they are allocated at the valuation date, although in practice some change will occur in more extreme stochastic scenarios.

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

We assume that the guarantee charge will remain fixed at its current level, although in practice it may reduce from its current capped level in some scenarios or, in extreme scenarios, rise above it.

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

Future miscellaneous surplus will be nil.

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

(b)

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
	i	10%	5%	4%
	ii	Unchanged	Unchanged	Unchanged
	iii	Unchanged	Unchanged	Unchanged

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

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

(6) Persistency Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	2.00%	3.00%	2.00%	2.00%
CWP target cash endowment	Surrender	4.00%	4.00%	4.00%	4.00%
UWP savings endowment	Surrender	N/A	N/A	N/A	N/A
UWP target cash endowment	Surrender	N/A	N/A	N/A	N/A
UWP bond	Surrender	3.60%	14.20%*	10.00%	10.00%
UWP bond	Automatic withdrawals(**)				
CWP Exec Pension - regular premium	PUP	13.00%	13.00%	13.00%	13.00%
CWP Exec Pension	Surrender	5.00%	5.00%	5.00%	5.00%
CWP Personal Pension - regular premium	PUP	5.40%	5.20%	3.00%	3.00%
CWP Personal Pension - regular premium	Surrender	2.18%	1.68%	2.10%	2.10%
CWP Personal Pension - single premium	Surrender	0.80%	1.24%	1.50%	1.50%
UWP individual pension - regular premium	PUP	N/A	N/A	N/A	N/A
UWP individual pension - regular premium	Surrender	N/A	N/A	N/A	N/A
UWP individual pension - single premium	Surrender	N/A	N/A	N/A	N/A

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

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

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

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

Take up Rates of Guaranteed Annuity Options

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

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

where

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

and

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

where

<i>L</i>	Overall limit on cash proportion. For PALAL PPP81 and Fowler Personal Pensions we set this to the IR maximum of 25%. For all other products we set it to 1.25 x C
<i>C</i>	Current experience assumption
<i>F</i>	Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable.
<i>R</i>	Reduction factor that applies outside of central "plateau" range (R=2/3)
<i>R'</i>	Reduction factor that applies within central "plateau" range (R'=0.9)
<i>k(j)</i>	Interim calculation variable depending on i, j, and semirange
<i>semirange</i>	Central "plateau" assumed to apply over a range from (i - semirange) to (i + semirange). Set at 1%.
<i>t</i>	Time in years from the valuation date
<i>T</i>	Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30)
<i>S</i>	Amount of longevity decline (S=3 so that cash declines by 1/3 over T years)
<i>i</i>	Average 20 year interest rate over the period used to set the current experience assumption. This is 4.52% at the valuation date
<i>j</i>	20 year gilt rate at maturity for the particular scenario

Annuitant Mortality

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

(7) Policyholder Actions

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

7. FINANCING COSTS

There is a financing arrangement in place to provide support to the long-term fund. This is fully described in note 1508. For the purposes of the realistic valuation £165.5m is deemed not repayable being the amount required to produce a value of zero on line 68 of Form 19 and is included as an item within the reconciliation of regulatory and realistic current liabilities in section 9.

8. OTHER LONG-TERM INSURANCE LIABILITIES

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

	£m
Mortgage Endowment Reserve	3.3
Additional Guaranteed Annuity Option Reserve	1.4
Data errors	10.0
Litigation	15.0
Reversal of tax asset	14.7
Other	14.3
Total	58.7

(a) Endowment Compensation Reserve

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

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

(b) Additional Guaranteed Annuity Option Reserve

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

(c) Data error provision

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

(d) Litigation Costs and potential other costs

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

(e) Reversal of tax asset

Assets on Form 13 include an amount of £42.9m in relation to the Group tax relief of notional case 1 losses. The value of this tax benefit to the long term fund has been assessed to be £28.2m. A provision of £14.7m has therefore been made to allow for the difference.

(f) Other additional reserves

A liability has been included for any other miscellaneous additional reserves.

9. REALISTIC CURRENT LIABILITIES

(a) Future Tax Adjustment

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

The liability as at the valuation date amounted to £(31.4)m, i.e. the future tax adjustment 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 £1.3m.

(c) Future Reinsurance Profits

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

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

At the valuation date the value of these excesses amounted to £48.0m in respect of endowment and whole life reinsurances to PLL and £15.2m in respect of the UWP reinsurances to PLL.

(d) Contingent Loan

In the regulatory valuation no liability is recognised to repay the £290.6m contingent loan. In the realistic valuation it is assumed that the excess over the £165.5m required to give zero working capital is repayable.

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

	£m
Regulatory current liabilities	1,067
Future tax adjustment	(31)
Additional tax on shareholder transfers	1
Reinsurances	(63)
Contingent loan	(165)
Realistic current liabilities	808

10. RISK CAPITAL MARGIN

- (a) The risk capital margin (RCM) amounts to £187.3m.
- (i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. However all indirect property held is treated as equity, so this scenario also effectively assumes that property falls by 20% as the Company holds no direct property.
 - (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.65%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A rise in yields is the most onerous scenario.
 - (iii) The average change in spread for bonds backing with-profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is 1.10%:
 - (a) The change in the market value of bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is -5.50%%
 - (b) not applicable
 - (c) not applicable
 - (d) not applicable
 - (e) The change in the market value of swaps is 1.76%%. The change in value of the spreadlocks is -8.28%.
 - (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is +1.5%.
 - (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 9.00% of asset share reducing to 0% over 6 years to an increased assumption of 12.00% reducing to 0% over 6 years and that the annual guarantee charge increases from 1.50% of asset share to 2.00% of asset share.

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

These actions are consistent with our PPFM and investment strategy.

- (ii) The estimated effect of assuming reduced annual bonuses is to reduce the RCM by £17m. The effect of increasing the exit charges and annual guarantee charge is to reduce the RCM by £20m.

- (iii) If the management actions described in 10(b)(i) were integrated into the projection of assets and liabilities and thus disclosed in 6(5)(a), the effect on table 6(5)(b) would be that reversionary bonus rates on accumulating with profits policies would be nil for each future year in question and for each scenario. There would be no change to future proportions of equity assets
 - (iv) The requirements of INSPRU 1.3.188R would be met if the actions described in 10(b)(i) were integrated into the projection of assets and liabilities.
- (c)
- (i) The risk capital margin is covered by a combination of assets in the long term fund (being part of the contingent loan deemed not repayable) and shareholder fund which is principally invested in money market instruments and government gilts.
 - (ii) The Company has in place an internal capital support memorandum which provides for the transfer of contingent loan within the shareholders' fund to the long term fund should the need arise.

11. TAX

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

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

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

12. Derivatives

At the valuation date the company continued to hold a number of significant positions in interest rate swaps and swaptions. These positions are reviewed from time to time to ensure they continue to meet the risk reduction requirements of the fund.

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.

Since the previous valuation the company has also entered into a number of swap spread lock contracts. These are used to hedge against the risk of swap spreads widening on the long (30 to 50 year) interest rate swaps that are currently held. They are structured as swaps or contracts for differences with the payout dependent on

the swap spread at maturity relative to the initial swap spread, and can be a net asset or liability.

The contracts are denominated in sterling, are with approved credit institutions and collateral arrangements are in place to cover any risk of default.

13. Analysis of Working Capital

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

	£m
Opening working capital	0.0
Modelling changes	14.8
Retrospective changes to asset shares	7.0
Other opening adjustments	43.7
Mismatch profits and losses	(186.2)
Assumption changes	
- Non-economic	(3.5)
- Economic	37.8
- Policyholder actions	2.8
Impact of new business	0.0
Other Variances	
- New provisions	(5.8)
- Compensation costs	(7.3)
- Charges	41.1
- Other non-economic	(20.4)
Change in contingent loan utilised	95.5
- Unexplained	(19.4)
Closing working capital	0.0

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

£m	Current Valuation £m	Previous Valuation £m
Compensation costs	4.7	8.2
Tax credit reversal	14.7	42.9
Other provisions	39.3	32.8
Form 19 Line 47 total	58.7	83.9
Accounting liabilities	1,045.7	443.4
Future tax profit	(31.4)	(35.2)
Additional tax on shareholders' transfers	1.3	3.0
Reassurance assets	(63.2)	(89.1)
Contingent loan	(165.5)	(70.0)
Form 19 Line 51 total	786.9	252.0

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

14. Optional Disclosure

None made.

Returns under the Accounts and Statements Rules

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

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

Throughout the year, the actuary who was appointed to perform the with-profits actuary function for the Phoenix & London Assurance Limited With-Profits Fund was Mr A E Burke.

- 1 (a) During the year Mr Burke had 1,100 ordinary shares and share options for 8,862 ordinary shares in Resolution plc's long-term incentive plan and savings related share option schemes. All options were exercised during the year and all shares were acquired at a price of £7.20 following the acquisition of Resolution plc.
 - (b) Mr Burke held an insurance policy issued by the insurer in the normal course of business, the transactions being of a minor nature.
 - (c) The aggregate of the remuneration and value of other benefits receivable by Mr Burke from the insurer in respect of 2008 was £192,003.
 - (d) Mr Burke was throughout the year a member of the Phoenix Life Group Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
- 2 The insurer has made a request of Mr Burke to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Mr Burke.

Note 1

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

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008


We certify that:

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


J S Moss

M J Merrick

J S B Smith


.....
Chief Executive


.....
Director


.....
Director

Date: 30 MARCH 2009

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix & London Assurance Limited

Global business

Financial year ended 31 December 2008

Notes to the Directors' Certificate

1 Compliance with the provisions of INSPRU

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

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

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

2 Compliance with the provisions of SYSC

Paragraph (1)(b) requires that the insurer has complied in all material respects with the requirements in SYSC. There have been process and system issues in one of Pearl's outsourcers, UiSL Limited, which have generated higher than expected premium and claim suspense account balances when reconciling ledger balances to underlying policy administration systems.

Pearl Group Management Services is working closely with UiSL Limited to prevent recurrence of this issue and clear the accrued suspense account backlogs. Analysis and clearance commenced during 2008 and is continuing into 2009.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Phoenix and London Assurance Limited

Global business

Financial year ended 31 December 2008

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

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

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

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

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Phoenix and London Assurance Limited

Global business

Financial year ended 31 December 2008

Basis of opinion

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

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

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

Opinion

In our opinion:

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

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
London

Date: 31/3/09

FSA Insurance Returns – Electronic Submission Certificate

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

Financial year ended **31 December 2008**

I certify that the data in the electronic copy of the Return is a complete and accurate copy of the data in the printed copy of the Return

List of electronic files that make up the electronic copy of the Return:

- 110470_GL1_200812_forms.csv
- 110470_GL1_200812_notes.csv
- 110470_GL1_200812_notes.doc
- 110470_GL1_200812_derivatives.doc
- 110470_GL1_200812_controllers.doc
- 110470_GL1_200812_valuation.doc
- 110470_GL1_200812_realistic.doc
- 110470_GL1_200812_directors.doc
- 110470_GL1_200812_auditor.doc
- 110470_GL1_200812_actuary.doc
- 110470_GL1_200812_control.csv

Signed by one of the company directors who is a signatory on the Directors' Certificate in the Return



Date **30 MARCH 2009**