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

Name of insurer	Phoenix Life Limited
Total business / subfund	25 Alba With-Profits Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked				2230	2230		2230

Form 53

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

Name of insurer	Phoenix Life Limited
Total business / subfund	26 Phoenix With-Profits Fund
Financial year ended	31 December 2007
Units	£000
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
715	Life property linked endowment regular premium - savings	130	4008	10	4008	4008	113	4121

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

Name of insurer	Phoenix Life Limited
Total business / subfund	26 Phoenix With-Profits Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		16346		16346		36	36

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	52311	809631	1	795826	793964	10362	804326
710	Life property linked whole life regular premium	77782	2419141	22670	343242	341240	54976	396216
715	Life property linked endowment regular premium - savings	37366	396800	9250	354083	353668	3770	357438
720	Life property linked endowment regular premium – target cash	52728	1235976	31282	563717	558961	7674	566635
780	Stand-alone critical illness rider	2024	84627	672	2630	2630	493	3123
785	Income protection rider	7108	20930	3151	3854	3854	2499	6353
790	Miscellaneous protection rider			125	(2)	(2)	755	753
795	Miscellaneous property linked	1158	60373	278	2526	2526	224	2750
800	Additional reserves property linked			10	24	40281	34439	74720

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		258		29	29	0	29
710	Life property linked whole life regular premium		228099	1584	11162	11162	(469)	10693
715	Life property linked endowment regular premium - savings		6511	21			11	11
720	Life property linked endowment regular premium - target cash		22471	325			(1)	(1)
785	Income protection rider		4410	311			1218	1218
790	Miscellaneous protection rider			0			10	10
795	Miscellaneous property linked		160943	1405			213	213
800	Additional reserves property linked			4			7	7

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	361395	4020756	58118	3838620	3728785	104876	3833661
735	Group money purchase pensions property linked	18277	275874	3749	275232	265477	25063	290540
745	DWP National Insurance rebates property linked	38238	356036	216	354790	354790	1120	355910
750	Income drawdown property linked				1693	1693		1693
755	Trustee investment plan	1667	23106	23	222645	221335		221335
765	Group managed fund	9611	73565	2379	109600	116951	18	116969
790	Miscellaneous protection rider	1791		84			788	788
795	Miscellaneous property linked	40	2001	11	68	68	2004	2073
800	Additional reserves property linked				419028	469968	14833	484801

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Form 53

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		5887	27				
770	Term assurance rider		1795				1	1
790	Miscellaneous protection rider						18	18
795	Miscellaneous property linked		30080	42			24	24

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

Name of insurer: **Phoenix Life Limited**

Total business / subfund: **31 Non - Profit Fund**

Financial year ended: **31 December 2007**

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
700	Life property linked single premium	171	3382		3277	3277	45	3322
710	Life property linked whole life regular premium	71	5536	42	828	792	87	878
715	Life property linked endowment regular premium - savings	129	2826	21	2683	2683	0	2683
720	Life property linked endowment regular premium - target cash	9	315	8	120	118	1	119
725	Individual pensions property linked	35	325		328	325	3	328
800	Additional reserves property linked				(157)	(0)	157	157

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

Name of insurer	Phoenix Life Limited
Total business / subfund	26 Phoenix With-Profits Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
						198381		198381
905	Index linked annuity	6064	7994					

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

Name of insurer	Phoenix Life Limited
Total business / subfund	26 Phoenix With-Profits Fund
Financial year ended	31 December 2007
Units	£000
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	2	12			187		187

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
900	Life index linked single premium	116	436		436	436	10	445
901	Index linked income protection claims in payment				34003	34003	139	34143
902	Group index linked income protection claims in payment		5124		47425	47425	1672	49097
905	Index linked annuity	15	44		648	648	8	655
910	Miscellaneous index linked	66244	4281486	29006	141050	141050	63163	204212
915	Additional reserves index linked						8420	8420

Form 54

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2007**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index linked income protection claims in payment				20944	20944	99	21043
902	Group index linked income protection claims in payment		5110		47311	47311	473	47784
910	Miscellaneous index linked		3575020	15624	23436	23436	4264	27700

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	2810	10599		250450	250450	5426	255876
910	Miscellaneous index linked	1425	168335	539	50549	49799	727	50526

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		3		27	27	0	27
910	Miscellaneous index linked		146810	240	324	324	7	332

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

Name of insurer	Phoenix Life Limited
Total business / subfund	31 Non - Profit Fund
Financial year ended	31 December 2007
Units	£000
UK Pension / Reinsurance ceded intra-group	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		10597		250423	250423	4172	254595

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Managed	1	606412	ULA series	1.00	8.0154	8.3932	4.71
Multiple growth fund	5	154030	Series o	1.00	15.6173	16.3380	4.61
Equity	15	177215	ULPF accum	1.13	19.3782	20.3130	4.82
Group managed	21	106774	SAPL Group	0.24	1211.2382	1285.4128	6.12
Managed growth	21	1918616	ULPF accum	1.13	10.0846	10.5875	4.99
Property	27	102983	SAPL Group	0.24	1435.3857	1346.1310	(6.22)
Phoenix BULA (ACI) Managed Equity Life	2	298953	B	1.00	11.6404	12.0245	3.30
Phoenix BULA (ACI) Managed Pension	12	191501		1.25	4.0241	4.2233	4.95
Phoenix Alba Managed Life	1	103453	AL UK Equity Life	1.00	7.8714	8.2428	4.72
Phoenix Alba LASIA Managed Pension	14	338702	AL UK Equity Pension	1.00	5.5720	5.7616	3.40
Phoenix Alba 2c UK Equity Pension	15	236394	Britannic Asset managemen	1.00	3.9167	4.0796	4.16
Phoenix BULA Pension Managed	12	291157	Series 2	1.50	551.6299	583.8500	5.84
Pensions Managed (Umbrella)	12	257940		0.15	2779.4019	3011.7869	8.36
UK Equity Pension	15	163754	PMF	0.15	266.3764	280.1284	5.16

Form 56

Long-term insurance business : Index linked business

Name of insurer Phoenix Life Limited

Total business

Financial year ended 31 December 2007

Units £000

Type of assets and liabilities	Name of index link 1	Value of assets or liabilities 2	Gross derivative value 3
Equities in FT Ordinary Share Index	FT30	167088	
Index Linked Approved Securities	RPI	14257	
Index Linked Approved Securities	RPI	198567	
Total assets		379912	
Total liabilities			
Net total assets		379912	

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **21 Britannic Industrial Branch Fund**

Financial year ended **31 December 2007**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 Assurances	480477	3.00	3.67	4.95
UK L&GA NP Form 51 Assurances	61539	3.00	3.75	4.68
Total	542016			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer Phoenix Life Limited

Subfund 22 Britannic With-Profits Fund

Financial year ended 31 December 2007

Units £000

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 assurances	530536	3.00	3.75	4.68
UK L&GA NP Form 51 assurances	20487	3.00	3.75	4.68
UK Pensions WP Form 51 annuities	114171	3.75	3.75	5.73
UK Pensions NP Form 51 annuities	89171	3.75	3.75	5.73
UK L&GA WP Form 52 assurances	333849	3.00	3.75	4.44
UK Other WP Form 52 assurances	25868	3.75	3.75	4.35
UK Pensions WP Form 52 pensions	2827363	3.75	3.75	4.29
UK L&GA WP Form 53 assurances	6949	3.30	4.13	4.68
UK Pensions WP Form 53 pensions	41015	4.10	4.10	4.35
Misc	162457	n/a	n/a	4.29
Total	4151866			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer	**Phoenix Life Limited**
Subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 With Profit Assurances	103331	3.00	3.75	4.29
UK L&GA WP Form 51 Non-Profit Assurances	12471	3.00	3.75	4.34
UK Pens WP Form 51 With Profit Pensions	2031		3.75	5.97
Misc	1954	n/a	n/a	6.0[illegible]
Total	119787			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer Phoenix Life Limited

Subfund 24 100% Fund

Financial year ended 31 December 2007

Units £000

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 With Profit Assurances	28609	3.00	3.75	5.55
UK Pens WP Form 52 UWP Group Pensions	33709		3.75	5.19
UK Pens WP Form 52 UWP Individual Pensions	39692		3.75	5.19
Misc	9351	n/a	n/a	4.72
Total	111361			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer	**Phoenix Life Limited**
Subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 Assurances	512574	3.45		4.43
UK L&GA NP Form 51 Non Interest	16628			4.07
UK L&GA NP Form 51 Assurances	17384	4.20		4.39
UK Pens WP Form 52 With Profit Funds	63598		3.90	4.25
UK Pens WP Form 52 Deposit Administration	75743		3.90	4.25
UK Pens WP Form 52 With Profit Funds	20222		4.00	4.21
UK Pens WP Form 51 Annual Premium Deferred Annuities	10316		4.15	4.41
UK Pens WP Form 51 Single Premium Deferred Annuities	43227		4.15	4.41
UK Pens WP Form 51 Annual Premium Deferred Annuities	211191		4.45	5.11
UK Pens WP Form 51 Single Premium Deferred Annuities	251707		4.55	5.06
UK Pens WP Form 51 Growth Pension Deferred Annuities	14909		4.55	5.08
UK Pens NP Form 51 Non Interest	55385			4.39
UK Pens WP Form 52 Deposit Administration : Group Pension Plan	38063		3.90	4.[illegible]
UK Pens NP Form 51 Annual Premium Assurances and Deferred Annuities	9008		5.25	5.47
UK Pens NP Form 51 Immediate Annuities	194451		5.30	5.56
UK Pens NP Form 51 Single Premium Assurances and Deferred Annuities	60455		5.70	5.94
Misc	113940	n/a	n/a	
Total	1708800			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer Phoenix Life Limited

Subfund 26 Phoenix With-Profits Fund

Financial year ended 31 December 2007

Units £000

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51 Endowment Assurances	1629404	3.40	4.25	5.29
UK L&GA NP Form 51 Endowment Assurances	76515	3.70	4.63	5.92
UK Pensions WP Form 51 Deferred Annuity (RP)	266145		3.90	5.29
UK Pensions WP Form 51 Deferred Annuity (SP/PUP)	378962		4.30	5.79
UK Pensions NP Form 51 Deferred Annuity	429685		3.90	4.57
UK Pensions NP Form 51 Annuities in Payment	391374		4.60	5.92
UK L&GA WP Form 52 With Profit Bond	1020756	3.10	3.88	4.77
UK Pensions WP Form 52 UWP Pensions	677807		3.90	5.09
Misc	528322	n/a	n/a	
Total	5398971			

Form 57
(Sheet 1)

Long-term insurance business: analysis of valuation interest rate

Name of insurer	**Phoenix Life Limited**
Subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA F54 Index linked codes 900-910	60154	0.81	1.01	1.07
UK L&GA F51 codes 300-345,370,380,390,410	135731	3.05	3.81	4.28
UK L&GA F51 Annuities codes 395-400	21935	3.90	4.88	5.49
UK L&GA F53 Non unit reserves codes 700-785	79015	3.05	3.81	4.4[illegible]
UK L&GA F51 Miscellaneous code 435	1401	n/a	n/a	4.27
UK L&GA F53 Miscellaneous codes 790-795	756	n/a	n/a	4.27
UK L&GA F51 Additional reserves code 440	93989			3.59
UK L&GA F53 Additional reserves code 800	34432			3.60
UK L&GA F54 Additional reserves code 915	8420			3.59
UK F51 Deferred annuity codes 315-390, Critical illness codes 350-365, UKP code 410, UKL code 420	96542		3.80	5.17
UK Pension F51 Annuity codes 400-405	30056		4.75	5.46
UK Pension F54 Annuity Index Linked code 905	1254		1.20	1.34
UK Pension F51 Additional reserves code 440	46694			3.[illegible]
UK Pension F53 Additional reserves code 800	14833			3.98
UK Pension F53 Non unit reserves codes 725-765	131076		3.80	4.31
UK Pension F51 Miscellaneous code 435	471	n/a	n/a	4.31
UK Pension F53 Miscellaneous codes 790-795	2749	n/a	n/a	4.31
UK Pension F54 Index Linked Miscellaneous code 910	719	n/a	n/a	1.34
UK F51 Income Protection Claims in Payment code 385, Group Critical Illness codes 425-430	42594		4.90	5.51
Total	802822			

Form 57
(Sheet 2)

Long-term insurance business: analysis of valuation interest rate

Name of insurer Phoenix Life Limited

Subfund 31 Non - Profit Fund

Financial year ended 31 December 2007

Units £000

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
Overseas F51 codes 300-390, 410	794		3.80	4.27
Overseas F51 Annuities codes 395-400	2		4.75	5.10
Overseas F53 Non unit reserves codes 700-725	136		3.80	4.28
Overseas F51 Additional reserves code 440	192			4.04
Overseas F53 Additional reserves code 800	157			4.05
Total	804103			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2007**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	20551061	24204327
Bonus payments in anticipation of a surplus	12	217391	40513
Transfer to non-technical account	13	31180	348545
Transfer to other funds / parts of funds	14		40000
Subtotal (11 to 14)	15	20799632	24633385
Mathematical reserves	21	20370228	24021228
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	429404	612157
Composition of surplus			
Balance brought forward	31	72112	1800
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		372433
Surplus arising since the last valuation	34	357293	237923
Total	39	429405	612156
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	217391	40513
Cash bonuses	42	0	(0)
Reversionary bonuses	43	108721	110986
Other bonuses	44	(0)	0
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	326112	151499
Net transfer out of fund / part of fund	47	31180	388545
Total distributed surplus (46+47)	48	357293	540044
Surplus carried forward	49	72112	72112
Total (48+49)	59	429404	612156
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer: **Phoenix Life Limited**

Total business / subfund: **21 Britannic Industrial Branch Fund**

Financial year ended: **31 December 2007**

Units: **£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	575696	636143
Bonus payments in anticipation of a surplus	12	11460	
Transfer to non-technical account	13	1460	215
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	588616	636358
Mathematical reserves	21	540329	600527
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	48286	35831
Composition of surplus			
Balance brought forward	31	33679	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		33894
Surplus arising since the last valuation	34	14607	1937
Total	39	48286	35831
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	11460	
Cash bonuses	42		
Reversionary bonuses	43	1687	1937
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	13147	1937
Net transfer out of fund / part of fund	47	1460	215
Total distributed surplus (46+47)	48	14607	2152
Surplus carried forward	49	33679	33679
Total (48+49)	59	48286	35831
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.00	90.00
Current year - 1	62	90.01	
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	11	4156867	4179220
Bonus payments in anticipation of a surplus	12	47703	
Transfer to non-technical account	13	14651	9189
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4219222	4188409
Mathematical reserves	21	4067704	4091528
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	151517	96881

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	31	5000	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		14189
Surplus arising since the last valuation	34	146517	82692
Total	39	151517	96881

Distribution of surplus

		Financial year 1	Previous year 2
Bonus paid in anticipation of a surplus	41	47703	
Cash bonuses	42		
Reversionary bonuses	43	84163	82692
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	131866	82692
Net transfer out of fund / part of fund	47	14651	9189
Total distributed surplus (46+47)	48	146517	91881
Surplus carried forward	49	5000	5000
Total (48+49)	59	151517	96881

Percentage of distributed surplus allocated to policyholders

		Financial year 1	Previous year 2
Current year	61	90.00	90.00
Current year - 1	62	90.00	
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2007**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	120237	128335
Bonus payments in anticipation of a surplus	12	4604	3373
Transfer to non-technical account	13	729	575
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	125570	132283
Mathematical reserves	21	117832	126081
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	7737	6202
Composition of surplus			
Balance brought forward	31	450	450
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		135
Surplus arising since the last valuation	34	7287	5617
Total	39	7737	6202
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	4604	3373
Cash bonuses	42		
Reversionary bonuses	43	1954	1804
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	6559	5177
Net transfer out of fund / part of fund	47	729	575
Total distributed surplus (46+47)	48	7287	5752
Surplus carried forward	49	450	450
Total (48+49)	59	7737	6202
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.00	90.00
Current year - 1	62	90.00	70.29
Current year - 2	63	70.29	
Current year - 3	64		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	11	112211	118013
Bonus payments in anticipation of a surplus	12	21536	37140
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	133746	155154
Mathematical reserves	21	108869	114842
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	24878	40312

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	31	850	850
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	24028	39462
Total	39	24878	40312

Distribution of surplus

		Financial year 1	Previous year 2
Bonus paid in anticipation of a surplus	41	21536	37140
Cash bonuses	42		
Reversionary bonuses	43	2492	2321
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	24028	39462
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	24028	39462
Surplus carried forward	49	850	850
Total (48+49)	59	24878	40312

Percentage of distributed surplus allocated to policyholders

		Financial year 1	Previous year 2
Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	
Current year - 3	64		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2007**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	1714730	1817910
Bonus payments in anticipation of a surplus	12	4243	
Transfer to non-technical account	13	505	39
Transfer to other funds / parts of funds	14		40000
Subtotal (11 to 14)	15	1719478	1857949
Mathematical reserves	21	1714165	1817562
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5313	40387
Composition of surplus			
Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		40039
Surplus arising since the last valuation	34	5313	348
Total	39	5313	40387
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	4243	
Cash bonuses	42	0	(0)
Reversionary bonuses	43	565	348
Other bonuses	44	(0)	0
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	4807	348
Net transfer out of fund / part of fund	47	505	40039
Total distributed surplus (46+47)	48	5313	40387
Surplus carried forward	49		
Total (48+49)	59	5313	40387
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.49	0.86
Current year - 1	62	0.86	
Current year - 2	63		
Current year - 3	64		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	11	5602047	5968607
Bonus payments in anticipation of a surplus	12	127845	
Transfer to non-technical account	13	13835	1528
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5743726	5970135
Mathematical reserves	21	5583686	5946223
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	160040	23912

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	31	500	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		2028
Surplus arising since the last valuation	34	159540	21884
Total	39	160040	23912

Distribution of surplus

		Financial year 1	Previous year 2
Bonus paid in anticipation of a surplus	41	127845	
Cash bonuses	42		
Reversionary bonuses	43	17860	21884
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	145706	21884
Net transfer out of fund / part of fund	47	13835	1528
Total distributed surplus (46+47)	48	159540	23412
Surplus carried forward	49	500	500
Total (48+49)	59	160040	23912

Percentage of distributed surplus allocated to policyholders

		Financial year 1	Previous year 2
Current year	61	91.33	91.02
Current year - 1	62	91.02	
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2007**
Units	**£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	11	8269275	11356097
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		337000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8269275	11693097
Mathematical reserves	21	8237642	11324464
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	31633	368633

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	31	31633	500
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		282150
Surplus arising since the last valuation	34		85983
Total	39	31633	368633

Distribution of surplus

		Financial year 1	Previous year 2
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		337000
Total distributed surplus (46+47)	48		337000
Surplus carried forward	49	31633	31633
Total (48+49)	59	31633	368633

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer Phoenix Life Limited

Original insurer 41 Life Association of Scotland

Date of maturity value / open market option 01 March 2008

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	16925	1435		CWP	No	Sum assured plus bonuses
Endowment assurance	25	24963			CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	118765			CWP	N	Return of Premiums
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	64702			CWP	N	Return of Premiums

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

Name of insurer	Phoenix Life Limited
Original insurer	41 Life Association of Scotland
Date of surrender value	01 March 2008

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	12905			CWP	N	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer	**Phoenix Life Limited**
Original insurer	**42 Britannia Life**
Date of maturity value / open market option	**01 March 2008**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10104	387		CWP	N	Sum assured plus bonuses
Endowment assurance	20	17561	1322		CWP	N	Sum assured plus bonuses
Endowment assurance	25	28760	2101		CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	22533			CWP	n/a	Return of Fund
Regular premium pension	15	46018			CWP	N	Return of Fund
Regular premium pension	20	85867			CWP	N	Return of Premiums
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	13206			CWP	n/a	Return of Fund
Single premium pension	15	24207			CWP	N	Return of Fund
Single premium pension	20	40255	321		CWP	N	Return of Premiums

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

Name of insurer	Phoenix Life Limited
Original insurer	42 Britannia Life
Date of surrender value	01 March 2008

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	7568			CWP	N	Sum assured plus bonuses
Endowment assurance	20	13811			CWP	N	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	7880			0	N	Return of Fund

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

Name of insurer	**Phoenix Life Limited**
Original insurer	**43 Crusader**
Date of maturity value / open market option	**01 March 2008**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	16974	1402		CWP	N	Sum assured plus bonuses
Endowment assurance	25	26472			CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	88658			CWP	N	Return of Prems
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	43719			CWP	N	Return of Prems

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

Name of insurer	Phoenix Life Limited
Original insurer	43 Crusader
Date of surrender value	01 March 2008

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	12939			CWP	N	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer	**Phoenix Life Limited**
Original insurer	**44 Britannic Assurance**
Date of maturity value / open market option	**01 March 2008**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	6415	693.56	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	15	11751.65			CWP	N	Sum assured plus bonuses
Endowment assurance	20	21847.73	2250.08		CWP	N	Sum assured plus bonuses
Endowment assurance	25	45569.16	14359.59		CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	28427.2	2008.76		UWP	N	Return of Fund
Regular premium pension	15	51049.18	5837.36		UWP	N	Return of Fund
Regular premium pension	20	132915.86	0	n/a	CWP	N	Return of Premiums
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14133.4	2492.5		UWP	N	Return of Fund
Single premium pension	15	27364.37	7053.75		UWP	N	Return of Fund
Single premium pension	20	61260.54	0	n/a	CWP	N	Return of Premiums

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

Name of insurer Phoenix Life Limited

Original insurer 44 Britannic Assurance

Date of surrender value 01 March 2008

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	7247.36	3369.74		CWP	N	Sum assured plus bonuses
Endowment assurance	15	11576.16	2882.25		CWP	N	Sum assured plus bonuses
Endowment assurance	20	19297.19	4298.46		CWP	N	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	12902	n/a	n/a	UWP	N	Multiple of higher of smoothed and guaranteed value
With-profits bond	10	13299.26	1942.86		UWP	N	Multiple of Fund
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	11632.13	0	2025	UWP	Y	Return of Fund

Form 59A

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

Name of insurer: **Phoenix Life Limited**

Original insurer: **45 Royal Life Insurance Limited**

Date of maturity value / open market option: **01 March 2008**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	5810	430		CWP	N	Sum Assured + Bonuses
Endowment assurance	15	10774	798		CWP	N	Sum Assured + Bonuses
Endowment assurance	20	20493	3557		CWP	N	Sum Assured + Bonuses
Endowment assurance	25	40034	10379		CWP	N	Sum Assured + Bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	49378	7884		CWP	N	Return of Fund
Regular premium pension	20	114389	34397		CWP	N	Return No Interest
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	28629	4367		CWP	N	Return of Fund
Single premium pension	20	65330	21484		CWP	N	Return No Interest

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Form 59B

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

Name of insurer	Phoenix Life Limited
Original insurer	45 Royal Life Insurance Limited
Date of surrender value	01 March 2008

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	5232	314		CWP	N	Sum Assured + Bonuses
Endowment assurance	15	10128	572		CWP	N	Sum Assured + Bonuses
Endowment assurance	20	21096	3245		CWP	N	Sum Assured + Bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirement

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

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Life protection reinsurance	11	0.0%	7058706	6209680			
Classes I (other), II and IX	12	0.1%	879235	587235		699	399
Classes I (other), II and IX	13	0.15%	428605	208794	0.80	511	954
Classes I (other), II and IX	14	0.3%	23975635	19307488		57191	66205
Classes III, VII and VIII	15	0.3%	7114693	3662651	0.51	10988	11768
Total	16		39456875	29975848		69389	7932[illegible]
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					11385	8159
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	13223712	9158875	0.85	112402	121621
Classes III, VII and VIII (investment risk)	33	1%	4083589	3825053	0.94	38251	40692
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1445462	1097774	0.85	12286	13060
Classes III, VII and VIII (other)	35	25%				6361	9064
Class IV (other)	36	1%	415254	146175	0.85	3530	3871
Class V	37	1%					
Class VI	38	1%					0
Total	39					172829	188308
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%	90320	87422			
Classes I (other), II and IX	42	3%	13223712	9158875	0.85	337205	364862
Classes III, VII and VIII (investment risk)	43	3%	4083589	3825053	0.94	114752	122076
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1445462	1097774			
Classes III, VII and VIII (other)	45	0%	6265094	6163650			
Class IV (other)	46	3%	415254	146175	0.85	10589	11614
Class V	47	0%					
Class VI	48	3%					0
Total	49		25523432	20478949		462545	498553
Long term insurance capital requirement	51					716149	774345

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

Global Business

Financial year ended 31 December 2007

NOTES TO APPENDIX 9.1

0201 Section 148 waiver

The FSA, on the application of the Company, made a direction in December 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the Company to take into account "reversionary interests in land" for the purposes of determining a yield and internal rate of return on assets in accordance with INSPRU 3.1.34R and 3.1.39R respectively.

0204 Part VII transfer

On 31 December 2006, the long term business funds together with the majority of the shareholders funds of Britannic Retirement Solutions Limited, Britannic Unit Linked Assurance Limited, Britannic Assurance plc, Century Life plc, Alba Life Limited and Phoenix Life & Pensions Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 8 December 2006.

During the financial year £15m was received by the Company in relation to the Part VII transfer and has been reported at Form 16 line 21.

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

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

	2007 £'000	2006 £'000
Form 13 line 89 Total other than long term business assets	280,928	905,771
Form 13 line 89 Total long term business assets	23,804,815	27,917,107
Less the sum of lines 11, 12 and 49 of Form 14	(21,086,792)	(24,758,063)
Less Form 15 line 69	(29,205)	(25,507)
Capital requirements of regulated related undertakings – Form 2 line 35	150,765	-
Total capital resources after deductions (Form 3 line 79)	3,120,511	4,039,278

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Phoenix Life Limited

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NOTES TO APPENDIX 9.1 (continued)

0310 Valuation differences between the FSA Return and UK GAAP report and accounts

Net positive valuation differences represent:

	2007 £'000	2006 £'000
Valuation differences between Peak 1 and Peak 2 liabilities	1,778,290	2,230,810
Contingency and expense reserves not recognised in the accounts	-	(134,099)
Deferred revenue income	44,772	-
Deferred acquisition costs	-	(4,480)
Accounting provision for financial reinsurance	-	22,157
Investment in PPL	14,381	-
Readily realisable assets	(1,653)	-
Outstanding contingent loan – Alba	(6,684)	-
Other	(544)	811
Net positive valuation differences (Form 3 line 14)	1,828,562	2,115,199

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

	2007 £'000
Profit and loss account and other reserves – Form 3 line 12 column 3	1,036,923
Profit and loss account and other reserves – Form 3 line 12 column 4	1,502,108
Movement	(465,185)
Explained by:	
Profit or loss retained for the financial year – Form 16 line 59	(534,852)
UK Technical account balance - Non-Profit Fund	177,817
Write-down of investment in PPL	(108,150)
	(465,185)

1105 and 1205 Reference period

Column 2 has been completed as if the business transferred in at 31 December 2006 under Part VII of the Financial Services and Markets Act 2000 referred to in notes "0204" and "4004" and also in Appendix 9.4 paragraph 1 had been within the Company for the whole of the review period.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

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NOTES TO APPENDIX 9.1 (continued)

1304 OLTB: Set off

1310 LTB: Set off

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

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

1305 OLTB: Counterparty limits

1319 LTB: Counterparty limits

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 LTB: Listed and unlisted securities

The Company held at 31 December 2007 £16,300,000 in unlisted securities relating to £4,656,000 in equities and £11,644,000 in fixed interest

The Company held at 31 December 2007 £56,250,000 in not readily realisable investments relating to equities.

1318 Other asset adjustments

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

	£'000
Total other than long term insurance business assets	(13,742)
Total long term insurance business assets	(42,383)

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Phoenix Life Limited

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NOTES TO APPENDIX 9.1 (continued)

The adjustment to long term insurance business assets is split by fund as follows:

	£'000
Non-Profit Funds	(6,378)
100% With-Profits Fund	(672)
90% With-Profits Fund	(1)
Britannic Industrial Branch Fund	676
Britannic With-Profits Fund	(13,988)
Alba With-Profits Fund	(11,975)
Phoenix With-Profits Fund	(10,045)
Total long term insurance business assets	(42,383)

Other asset adjustments of £1,234,000 to the other than long term business assets in 2006 represented the reclassification of assets.

The other asset adjustments of £(25,999,000) to the long term business assets in 2006 can be analysed as follows:

	Total £'000	Non-Profit £'000	100% WP £'000	90% WP £'000	Britannic IB WP £'000	Britannic WP £'000	Phoenix WP £'000	Alba WP £'000
Inadmissible deferred tax asset	3,785	3,785						
Deemed settlement	22,130	22,130						
FRS 19 adjustment	32,114	32,114						
Reclassification of assets	(97,434)	(13,770)	(324)	(4,222)			(79,118)	
Inadmissible value of in force business	93,910	93,910						
Offset assets and liabilities	(80,487)	(39,956)			(4,025)	(12,970)	(18,157)	(5,379)
Other	(17)	(1,711)					1,694	
Total	(25,999)	96,502	(324)	(4,222)	(4,025)	(12,970)	(95,581)	(5,379)

1321 Entity Reconciliation to Statutory Accounts

	2007 £'000	2006 £'000
Form 13 Line 102 Total long term insurance business assets	28,820,270	30,020,126
Form 13 line 102 Total other than long term insurance business assets	252,845	904,537
Entity adjustment in statutory accounts	85,195	537
Total UK GAAP Assets	29,158,310	30,925,200

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

1401 Provision for reasonably foreseeable adverse variations

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

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NOTES TO APPENDIX 9.1 (continued)

1402 Liabilities

(a) There are no charges over assets.

(b) There is a potential liability to taxation on capital gains of £90,446,000 which might arise if the insurer disposed of the assets of the long term insurance business.

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

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

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

1405 Adjustments to Liabilities

Other adjustments to Liabilities shown on Form 14 Line 74 represent:

	2007 £'000	2006 £'000
Valuation differences between Peak 1 and Peak 2 liabilities	1,778,290	1,089,909
Deferred revenue income	44,772	-
Reclassification of debtors and creditors	(42,383)	13,083
Financing reassurance	-	22,157
Contingent liability	-	16,285
Contingency reserve	-	(31,038)
Deemed settlement	-	22,130
FRS 19 adjustment	-	32,114
Reclassification of assets	-	(97,434)
Reclassification of claims	-	2,569
Total	1,780,679	1,069,775

1407 Contingent loans to With Profits Funds

There is provision for the Company's Non Profit or shareholder funds to provide financial assistance or support to any of the Company's With Profit Funds. At 31 December 2006, the Non Profit Fund provided support in the form of a loan of £18.2m to the Alba With-Profits Fund. There was a further draw-down during 2007 of £40.0m to increase the loan to £58.2m. In December 2007, £51.5m was repaid so that at 31 December 2007 the Non Profit Fund provided support of £6.7m to the Alba With-Profits Fund.

NOTES TO APPENDIX 9.1 (continued)

1412 Entity Reconciliation to Statutory Accounts

	2007	2006
	£'000	£'000
Form 14 Line 76 Total liabilities	(28,820,270)	(30,020,126)
Form 15 line 85 Total liabilities	(252,845)	(904,538)
Entity adjustment in statutory accounts	(85,195)	(536)
Total UK GAAP Assets	(29,158,310)	(30,925,200)

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

1501 Provision for reasonably foreseeable adverse variations

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

1502 Liabilities (other than long term insurance business)

(a) There are no charges over assets.

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

(c) There are no contingent liabilities.

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

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

1507 Other adjustments

Other adjustments of £13,741,000 shown on Form 15 Line 83 represent reclassification of debtors and creditors.

1508 Contingent loans to With Profits Funds

There is provision for the Company's Non Profit or shareholder funds to provide financial assistance or support to any of the Company's With Profit Funds. At 31 December 2006, the Non Profit Fund provided support in the form of a loan of £18.2m to the Alba With-Profits Fund. There was a further draw-down during 2007 of £40.0m to increase the loan to £58.2m. In December 2007, £51.5m was repaid so that at 31 December 2007 the Non Profit Fund provided support of £6.7m to the Alba With-Profits Fund.

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 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 income shown on Form 16 line 21 in 2007 represents income from the 2006 Part VII transfer.

The income shown on Form 16 line 21 in 2006 represents income from the Part VII transfer (see note 4004).

1700 Total other than long term insurance business assets

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

NOTES TO APPENDIX 9.3

4002 Other income and expenditure

Other Income

	2007 £'000
Transfer of contracts	7,363
Total Other Income (Form 40 line 15)	7,363

Other Expenditure

	2007 £'000
Repayment of Hannover Re loan	(21,527)
Transfer of contracts	(7,363)
Total Other Expenditure (Form 40 line 25)	(28,890)

Deferred annuity contracts in Britannic With-Profits Fund are transferred to Non-Profit Fund upon commencement of the annuity. Benefit enhancements in respect of certain pension policies where best advice rules may not have been adhered to, which result in an immediate pension, are transferred from the Britannic With-Profits Fund to the Non-Profit Fund.

4004 Business Transfer In

On 31 December 2006, the long term business funds together with the majority of the shareholders funds of Britannic Retirement Solutions Limited, Britannic Unit Linked Assurance Limited, Britannic Assurance plc, Century Life plc, Alba Life Limited and Phoenix Life & Pensions Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 8 December 2006. The amounts shown on line 31 on Form 40 (summary) in 2006 is analysed as follows:

	£'000
Britannic Industrial Branch Fund	634,421
90% With-Profits Fund	48,623
Britannic With-Profits Fund	4,105,636
Alba With-Profits Fund	1,854,032
Non-Profit Fund	5,738,140
Phoenix With-Profits Fund	5,948,251
Total	18,329,103

4008 Provision of management services

Arrangements were in force during the financial year for the provision of management services to the Company by Resolution Management Services Limited, Unisys Limited and Resolution Asset Management Limited.

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

NOTES TO APPENDIX 9.3 (continued)

4009 Material connected party transactions

A number of reinsurance contracts were in place during the year between the Company and other group companies. All these contracts were entered into on "arms length" basis. Details of these transactions are shown in Appendix 9.4, paragraph 9 of the Return.

During the year the Company acquired 100% of the ordinary share capital in Phoenix Pensions Limited ("PPL"), an authorised insurance company. The consideration paid was £3,040,000.. It subsequently made a capital injection of £300.0m from the other than long term insurance business fund into PPL.

At 31 December 2007 there was a contingent loan of £200m between the Non-Profit Fund and PPL. Of this, only £1,607k is admissible.

The Company reinsured £2,517,800 of premiums in 2007 out to PPL. It received £79,003,000 in respect of reinsured claims from PPL.

During the year the Company paid £85,217,000 (2006: £45,435,000) and £33,385,000 (2006: £7,288,000) to Resolution Management Services Limited and Resolution Asset Management Limited respectively in respect of services provided.

At 31 December 2007 there were £325m (2006: £262m) in loans made by the Company to its holding company, Resolution Life Limited. These loans are interest bearing, repayable on demand by the Company.

4401 Basis of valuation of assets

Investments and assets helped to cover linked liabilities and listed securities are shown at bid market value. Properties are valued annually at open market value. Cash and deposits are shown as face value.

4701 Number of new group schemes with no records at member level

There are no new group schemes.

4702 Approximations used to apportion between product codes

No approximations have been made in apportioning new business between product codes.

NOTES TO APPENDIX 9.3 (continued)

4801 'Asset Share' philosophy

90% With-Profits Fund

The asset mix for significant asset share groups is shown in the table below

Category of assets	Category	
	Ex-SLUK	Ex-BULA
Land and Buildings	0.00%	0.00%
Approved Fixed Interest	23.46%	39.58%
Other Fixed Interest	16.54%	27.92%
Variable interest securities	0.00%	0.00%
UK listed equity shares	40.00%	32.50%
Non UK listed equity shares	20.00%	0.00%
Unlisted equity shares	0.00%	0.00%
Other assets	0.00%	0.00%
Total	100.00%	100.00%

100% With-Profits Fund

The asset mix for significant asset share groups is shown in the table below

	Category		
Category of assets	Ex-Phoenix Life Business	Ex-Phoenix UWP Pensions Business	Ex-Swiss Business
Land and Buildings	7%	11%	0%
Approved Fixed Interest	27%	29%	25%
Other Fixed Interest	15%	16%	15%
Variable interest securities	0%	0%	0%
UK listed equity shares	34%	29%	40%
Non UK listed equity shares	17%	15%	20%
Unlisted equity shares	0%	0%	0%
Other assets	0%	0%	0%
Total	100%	100%	100%

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NOTES TO APPENDIX 9.3 (continued)

Alba With-Profits Fund

Category of assets	Category	
	75% / 25%	90% / 10%
Land and Buildings	25.00%	10.00%
Approved Fixed Interest	52.86%	63.43%
Other Fixed Interest	22.14%	26.57%
Variable interest securities	0.00%	0.00%
UK listed equity shares	0.00%	0.00%
Non UK listed equity shares	0.00%	0.00%
Unlisted equity shares	0.00%	0.00%
Other assets	0.00%	0.00%
Total	100.00%	100.00%

The asset mix for significant asset share groups is shown in the table above.

The 75% / 25% category includes traditional with profits life and former BLL series B pensions business and unitised with profits policies.

The 90% / 10% category includes traditional with profits pensions business other former BLL series B.

Different asset mixes are held for other non significant asset share groups.

Britannic With-Profits Fund and Britannic Industrial Branch Fund

The asset mix for significant asset share groups is shown in the table below.

The BA WP category refers to sterling denominated business in the Britannic With Profits Fund.
A different asset mix is held for the euro denominated business, but this is not a significant group.
A different asset mix is held for the former Century Life business, but this is not a significant group

The BA IB category refers to business in the Industrial Branch Fund. The same asset mix is used for all asset share groups.

	BA WP	BA IB
Land and Buildings	7.81%	4.78%
Approved Fixed Interest	31.40%	36.87%
Other Fixed Interest	15.57%	22.29%
Variable interest securities	0.00%	0.00%
UK listed equity shares	31.57%	23.93%
Non UK listed equity shares	8.80%	6.88%
Unlisted equity shares	0.00%	0.00%
Other assets	4.85%	5.24%
Total	100.00%	100.00%

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

Phoenix With-Profits Fund

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 Treatment of expected income from defaulted assets

All funds

There are no securities where payment of interest is in default.

4803 Assumptions regarding securities which may be redeemed over a period at option of the guarantor or the issuer

Non Profit Fund

The funds holds a number of securities, the coupon of which changes from a fixed amount to a variable amount from a pre-determined date. The issuer of the security has the option to redeem the bond on that date and information presented assumes that this will be the case. The market value of these stocks at 31 December 2007 was 31.6m.

In addition for variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£ 0.0m
Latest maturity date	£13.3m
Total Optional maturity date	£13.3m

100% Profit Fund

The funds holds a number of securities, the coupon of which changes from a fixed amount to a variable amount from a pre-determined date. The issuer of the security has the option to redeem the bond on that date and information presented assumes that this will be the case. The market value of these stocks at 31 December 2007 was 13.7m.

90% With-Profits Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£2.2m
Latest maturity date	£0.5m
Total Optional maturity date	£2.7m

100% Profit Fund

The funds holds a number of securities, the coupon of which changes from a fixed amount to a variable amount from a pre-determined date. The issuer of the security has the option to redeem the bond on that date and information presented assumes that this will be the case. The market value of these stocks at 31 December 2007 was 13.7m.

Returns under the Accounts and Statements Rules

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Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

Britannic With-Profits Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£ 0.0m
Latest maturity date	£116.6m
Total Optional maturity date	£116.6m

Britannic Industrial Branch Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£ 0.0m
Latest maturity date	£10.8m
Total Optional maturity date	£10.8m

Phoenix With-Profits Fund

The fund holds a number of securities the coupons of which change from fixed amounts to variable amounts on pre-determined dates. The issuer of the security has the option to redeem the bond on that date and the information presented assumes that this will be the case.

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£199.187m
Latest maturity date	£29.940m
Total Optional maturity date	£229.127m

Alba With-Profits Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£ 0.0m
Latest maturity date	£42.0m
Total Optional maturity date	£42.0m

4804 Assets with a wide range of yields within 48.4.18 and 48.4.28

Non profit fund

Other assets include £185.6m of non-income bearing deposits and £470.4m of assets yielding between 4.00% and 6.55%.

Returns under the Accounts and Statements Rules

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Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

4806 Assets used to calculate investment returns in lines 21-29 column 5

90% Fund

The returns shown in lines 21 - 28 column 5 are the returns on assets backing Ordinary Branch Life business as this is the largest portfolio of with-profits business within the 90% fund.

The overall return attributable to this line of business is the return in line 29, which is based on the allocation of assets specific to Ordinary Branch Life business. The investment returns attributable to other portfolios of business within the 90% fund are based on alternative asset allocations specific to each portfolio of business.

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

100% Fund

The returns shown in lines 21 - 28 column 5 are the returns on assets backing the Ex-PAL conventional with-profits business as this is the largest portfolio of with-profits business within the 100% fund.

The overall return attributable to this line of business is the return in line 29, which is based on the allocation of assets specific to Ex-PAL conventional with-profits. The investment returns attributable to other portfolios of business within the 100% fund, such as Ex-PAL Unitised with-profits and Ex-SLUK with-profits are based on alternative asset allocations specific to each portfolio of business.

Alba With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

The returns shown in line 32 and 33 relate to the largest asset share grouping.

Phoenix With-Profits Fund

The asset mix underlying an individual policy asset shares 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 (with market value as at the start of the valuation period) used to calculate investment returns shown in lines 21-29 are:

Asset Type	Market Value (£m)
Land and buildings	901
Approved fixed interest securities	2083
Other fixed interest securities	1047
Variable interest securities	110
UK listed equity shares	949
Non-UK listed equity shares	388
Other assets	71

NOTES TO APPENDIX 9.3 (continued)

Britannic With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to most sterling denominated asset shares are derived. There is a further portfolio of assets from which the return credited to euro denominated assets shares are derived. The returns shown in lines 32 and 33 relate to the sterling denominated asset share grouping which is the largest.

Britannic Industrial Branch Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

4807 Non Linked Assets

Phoenix With-Profits Fund

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

4808 Non Linked Assets

Phoenix With-Profits Fund

The Company holds a number of swaps in connection with its fixed interest assets. The net value of the swaps is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to fixed interest securities as described in Appendix 9.4 paragraph 4 (9) in proportion to the market value of the underlying fixed interest securities. The yield shown in column 4 reflects the overall impact of this aggregation. For fixed interest securities the expected income relates to the fixed interest assets shown in column 1.

4809 Non Linked Assets

Phoenix With-Profits Fund

The entry in Line 33 column 5 is after tax.

4901 Rating agency used for split by credit rating

Non Profit Fund, 90% Fund, 100% Fund and Phoenix With-Profits Fund, Britannic With-Profits fund, Britannic Industrial Branch Fund

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

Alba With Profits Fund

The rating agency used to provide the ratings used in Form 49 was Standard and Poors.

NOTES TO APPENDIX 9.3 (continued)

4902 Fixed Interest Assets

Phoenix With-Profits Fund

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 4808. The yields in columns 3 and 4 exclude the economic effect of the swap apportionment.

5000 Internal Reassurances

There are some reinsurance arrangements between Non-Profits and With-Profits funds within the Company which are disclosed only in the "Reassurer" fund.

5101 Number of group schemes without records at member level

Product Code	Number of Group Schemes
320	56
390	12
410	15
420	2
430	1

5103 Miscellaneous Products

Britannic With-Profits Fund

The miscellaneous item for UK Pensions Gross Insurance Business is reinsurance accepted on guaranteed annuity options

Phoenix With-Profits Fund

Gross reserves for product code 435 Miscellaneous non-profit – Maturities on Deposit of £120.699m in UK Pension / Gross and £19.723m in Overseas / Gross relates to pensions products where the policyholder has passed their retirement age and not taken their retirement benefits.

5201 Number of group schemes without records at member level

Product Code	Number of Group Schemes
535	19

5301 Number of group schemes without records at member level

Product Code	Number of Group Schemes
735	5
750	12
755	151
765	105

NOTES TO APPENDIX 9.3 (continued)

5403 Miscellaneous Products

Code 910 (miscellaneous index-linked) includes a significant number of index-linked endowment, term assurance and income protection policies which do not fit into any other product code.

5701 Negative Mathematical Reserve Offsets

Non Profits fund

Form 51 Overseas product codes 300 to 390, and 410 have been combined as a single line entry in Form 57. Within this grouping of product codes, the decreasing term assurance (product code 330) has negative net mathematical reserves of £(0.037)m. All other product codes in this group have positive net mathematical reserves.

5801 Interim, mortuary or terminal bonuses determined in advance of a valuation

The amounts shown in line 12 and again in line 41, being bonus payments made to policyholders in anticipation of a surplus, are for final and interim bonuses on claims made during the year and for annual bonus, declared investment returns declared in advance.

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Pages 317 to 499 are blank.

APPENDIX 9.4

PHOENIX LIFE LIMITED

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2007.

(2) Previous Valuation

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

On 31 December 2006, all the business within the long term funds of Britannic Assurance Plc ("BA"), Alba Life Limited ("Alba"), Britannic Retirement Solutions Limited ("BRS"), Britannic Unit Linked Assurance Limited ("BULA"), Century Life Plc ("Century"), and Phoenix Life & Pensions Limited ("PLP") was transferred to the Company, Phoenix Life Limited ("PLL"), under Part VII of the Financial Services and Markets Act 2000. At the same time, additional funds were created in the Company.

The table below shows the sources and destinations of the various types of business:

SOURCE	DESTINATION
PLL Non-Profit Fund	Non-Profit Fund ("NP Fund")
PLL 90% Fund	90% With-Profits Fund
PLL 100% Fund	100% With-Profits Fund
BRS Non Profit Fund	Non-Profit Fund
BULA With Profit Fund	90% With-Profits Fund
BULA Non-Profit Fund	Non-Profit Fund
BULA Unit Linked Fund	Non-Profit Fund
BA IB With Profit Fund	Britannic Industrial Branch Fund
BA OB With Profit Fund	Britannic With-Profits Fund
BA LNP Fund	Non-Profit Fund
BA PNP Fund	Non-Profit Fund
Century Non-Profit Fund	Non-Profit Fund
Century With Profit Fund	Britannic With-Profits Fund for with profit business and the Non-Profit Fund for non-profit business
Alba Ordinary Long Term Business Fund	Alba With-Profits Fund
Alba Capital Redemption Fund	Non-Profit Fund
Alba Long Term Accident Fund	Non-Profit Fund
Alba Unit Linked Fund	Non-Profit Fund
PLP Ordinary Long Term Fund	Phoenix With-Profits Fund

(3) Interim Valuations

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

2. PRODUCT RANGE

In the remainder of this Appendix and Appendix 9.4A, the products are identified by their current fund and / or their originating fund as defined above or, in respect of products that were already in PLL, by their originating company prior to the 2005 fund merger (see the Company's 2005 FSA Returns):

"PAL"	Phoenix Assurance Limited
"SLUK"	Swiss Life (UK) Plc
"Bradford"	Bradford Insurance Company Limited

For other products transferred into PLL that had been transferred previously, the descriptions previously used in the transferor's returns are still used.

The new business status of each of the with profits subfunds during the year was:

FUND	STATUS
Alba With-Profits Fund	(d) closed to new business except by increment
Britannic Industrial Branch Fund	(d) closed to new business except by increment
Britannic With-Profits Fund	(d) closed to new business except by increment
Phoenix With-Profits Fund	(d) closed to new business except by increment
90% With-Profits Fund	(d) closed to new business except by increment
100% With-Profits Fund	(d) closed to new business except by increment

The remaining questions are answered in respect of each fund in turn.

Alba With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

During the year, market value reductions were applied to accumulating with-profits business as described below.

(a) Unitised with-profits business

Terminal bonus and market value reductions as a percentage of unit allocations by calendar year of purchase are shown in the tables below. Market value reductions (negative terminal bonuses) do not apply on maturity or death and the overall terminal bonus is subject to an overall minimum of nil, and the minimum payout is the face value of the units. For all other claims, the overall the terminal bonus can be negative and a market value reduction of that amount will have been applied to the face value of the units.

Applicable 1 January 2007 to 30 June 2007

Calendar year of purchase of units	Old BLAS business (Life System Company 2)		New BL business (Life System Company 4)	
	Life	Pension	Life Fund	Pension
<=1992		4.00%		
1993	2.50%	5.00%	19.50%	28.50%
1994	6.50%	17.50%	23.00%	33.00%
1995	13.50%	21.00%	30.50%	41.00%
1996	10.00%	15.50%	25.50%	34.00%
1997	6.50%	10.00%	21.00%	27.50%
1998	0.50%	2.00%	14.00%	18.00%
1999	-6.00%	-7.50%	6.50%	9.00%
2000	-7.00%	-7.00%	5.00%	6.50%
2001	-2.00%	1.00%	9.50%	12.50%
2002	8.00%	11.50%	16.00%	20.50%
2003	13.00%	17.00%	17.50%	22.50%
2004	10.50%	14.00%	12.50%	16.00%
2005	7.00%	9.00%	6.00%	7.00%
2006	2.00%	2.50%	1.00%	1.50%
2007	0.00%	0.00%	0.00%	0.00%

Applicable 1 July 2007 to 31 December 2007:

Calendar year of purchase of units	Old BLAS business (Life System Company 2)		New BL business (Life System Company 4)	
	Life	Pension	Life Fund	Pension
<=1992		2.00%		
1993	4.00%	5.00%	20.50%	31.50%
1994	7.50%	22.00%	24.50%	36.00%
1995	14.50%	21.50%	32.00%	44.50%
1996	11.00%	17.00%	27.00%	37.00%
1997	8.00%	11.50%	22.50%	30.50%
1998	2.50%	3.50%	15.50%	21.00%
1999	-3.00%	-3.50%	8.00%	11.50%
2000	-4.50%	-4.50%	6.50%	9.50%
2001	0.00%	3.50%	11.50%	15.50%
2002	10.00%	13.50%	17.50%	23.50%
2003	15.00%	19.50%	19.50%	26.00%
2004	12.50%	16.00%	14.50%	19.50%
2005	9.00%	11.00%	7.50%	10.00%
2006	4.00%	5.00%	3.00%	4.00%
2007	0.50%	1.00%	0.50%	1.00%

(b) Other with-profits business

For the Unitised Capital Guaranteed Fund business, from 1 January 2007 to 31 December 2007 no market value reduction was applied.

For the Nestegg (post 1988) business, from 1 January 2007 to 31 December 2007 a market value reduction of 8% was applied.

For the ex BLA / Crusader With Profits Performance Fund business, from 1 January 2007 to 31 December 2007 no market value reduction was applied.

For the ex BLA / Crusader With Profits Pension Fund business, from 1 January 2007 to 31 December 2007 no market value reduction was applied.

For the Assured Growth Scheme business, individual scheme specific market value reductions were applied, where applicable, throughout the year.

(2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

(3) Non-profit Deposit Administration

No non-profit deposit administration business is transacted.

(4) Service Charges on Linked Policies

There are no linked policies.

(5) Benefit Charges on Linked Policies

There are no linked policies.

(6) Accumulating With-Profits Charges

There were no changes to unit management charges or notional charges to accumulating with-profits policies since the last valuation.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

Subject to the exceptions specified below, liabilities have been valued using the gross premium valuation method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made except implicitly in setting the per policy expenses.

The mathematical reserve for all accumulating with-profits policies has been calculated as the face value of units, which is the number of units including attaching bonus units allocated up to the valuation date, less a market value adjustment where applicable.

Exceptions:

(a) No negative reserves have been included and no contract of insurance has been treated as an asset.

(b) As a result of realised losses brought forward, no provision for the prospective liability with respect to tax on unrealised capital gains on non linked assets was considered necessary for the purpose of this valuation.

(c) No specific reserve has been made for investment performance guarantees for property linked and deposit administration contracts, apart from ex-BLAS pension policies in the With Profit Pension Fund, where the 4% guaranteed growth rate has been allowed for.

The With-Profits Fund guarantee on policies arising from BLA is provided for by valuing units at the higher of the underlying asset price or the quoted bid price.

(d) A prospective method of valuation has not been used for the following contracts.

Policies previously written in BLA

Economic Mortgage and Low Start Economic Mortgage policies were valued as endowment contracts but with a death benefit equal to the greater of the guaranteed minimum death benefit and the sum assured and declared bonuses.

For group life assurances, the reserve held was the proportion of premium due in respect of the period from the valuation date to the date when the next premium falls due. For schemes where a premium rebate is given on account of favourable experience, an additional reserve was held in respect of the estimated rebate accrued to the valuation date. A reserve was held to provide for claims incurred but not reported.

Inward reassurances of term assurance benefits were valued with the reserve being a proportion of current annual premium, the proportion being not less than one half.

Where extra premiums are payable for assurances, one half of the current extra annual premiums was reserved.

Where the office premium charged was for an age higher than the actual age at entry, in respect of an under average life, the assurance was dealt with according to the rated up age. Any debts imposed on account of extra risks were ignored in the valuation.

In respect of permanent disability benefits attaching to life policies, the whole of the premium received was reserved.

Claims payable by instalments were valued on an interest only basis by discounting the future repayments.

For deposit administration contracts, the valuation liability was taken as the amounts held to the credit of policyholders before adding the current year's bonus interest.

The liabilities of Growth Pension business were obtained by valuing the paid up pensions and annuities in payment secured by each policy at the valuation date.

The reserve in respect of fatal accident benefits was not less than one half of the current annual premium.

In respect of long term permanent health policies, other than those valued on the gross premium method, the reserve held was the proportion of premium due in respect of the period from the valuation date to the date when the next premium falls due, together with additional reserves in respect of the estimated amount of rebate accrued to the valuation date where appropriate.

A reserve was held for claims in course of payment and to provide for claims incurred but not reported.

Policies previously written in BLL

(i) Group life assurances costed on a unit rate risk premium basis: a reserve equal to the proportion of the premium relating to the unexpired risk subject to a minimum of one quarter of the annual premium is held.

(ii) Group life assurances associated with pension schemes and costed on a risk premium basis: a reserve equal to 75% of the risk premium is held.

No specific tests of adequacy were considered necessary for the bases used in (i) and (ii) as the underlying premium rates are tested annually for adequacy and the chargeable premium rate is guaranteed for not more than two years in either case.

Policies previously written in BLAS

Liabilities for group term assurance are calculated on the basis of a year's risk cost, the provision being 75% of the office annual premium or the recurrent single premium.

For deferred annuities under the Long Term Accumulation System the liabilities are the aggregate amounts of the deposit accounts, for the schemes concerned as at the valuation date after crediting interest to the daily balances, at the valuation rate.

For deferred retirals the liabilities are the cash options at normal retirement ages accumulated with interest.

In the light of these provisions tests for adequacy were not considered appropriate.

(e) Other specific reserves have been set up for the following contracts:

(i) Growth equity contracts have been valued as non linked with-profits, plus, on Type A policies only, the full undiscounted value of capital appreciation to the valuation date including the reserve for capital gains tax.

(ii) Genesis pension contracts have been valued by a cash flow method for linked benefits and by a gross premium method for non linked benefits.

The assumptions used in the cash flow method are as stated at the start of this section.

(2) Valuation Interest Rates

The following table shows the valuation interest rates.

	Current Valuation	Previous Valuation
Life Assurance Fund		
With Profit	3.45%	3.50%
Non Profit	4.20%	3.80%
General Annuity Fund		
With profit Deferred Annuities	4.45%	4.55%
Non profit Deferred Annuities	5.25%	4.95%
Immediate Annuities	5.30%	5.05%
Pension Business Fund		
New With Profit AP Deferred Annuities	4.15%	4.20%
New With Profit SP Deferred Annuities	4.15%	4.20%
Old With Profit AP Deferred Annuities	4.45%	4.55%
Old With Profit SP Deferred Annuities	4.55%	4.70%
Non Profit AP Deferred Annuities	5.25%	4.95%
Non Profit SP Deferred Annuities	5.70%	5.10%
Immediate Annuities	5.30%	5.05%
Laserplan	4.55%	4.70%
Group Pension Plan	3.90%	3.90%
PHI Fund		
Non-claims	4.00%	4.00%
Claims in Payment	5.30%	5.05%

For deferred annuities, the stated valuation interest rate applies before and after vesting.

(3) Risk Adjustments

For corporate bonds a deduction is made from the gross redemption yield to allow for the risk of default based on analysis done by Moody's and the adjustment is based on the credit rating of each individual bond.

The adjustments are as follows:

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread. This is a one off adjustment due to current market conditions and will not be repeated in future valuations unless similar conditions prevail.

For property each individual property is rated in terms of quality (A being the highest quality and F being the lowest quality) and the yield assumed on each property is based on a weighted average of the property yield and 2.5% consols yield.

The weights being applied as follows:

Rating	Percentage of property yield	Percentage of consols yield
A	90	10
B	80	20
C	70	30
D	60	40
E	50	50
F	0	100

For the property unit trust a deduction of 50 basis points is made to the yield to allow for the risk of default. This deduction is based on the property portfolio underlying the unit trust and is based on the difference between the risk adjusted yield as calculated above and the yield with no adjustment for risk.

(4) Mortality Basis

Product Type	Current Valuation Table	Previous Valuation Table
Life Fund Permanent Assurances	94% AM92 94% AF92	95% AM92 95% AF92
Term Assurances	94% TM92 94% TF92	95% TM92 95% TF92
GAF Annuities	95% Modified IMA92 90% Modified IFA92	95% Modified IMA92 90% Modified IFA92
PBF Annuities	95% Modified PMA92 90% Modified PFA92	95% Modified PMA92 90% Modified PFA92
PBF Deferred Annuities (In deferment)	64% AM92 64% AF92	55% AM92 55% AF92
GAF Deferred Annuities (In deferment)	64% AM92 64% AF92	55% AM92 55% AF92
PBF Deferred Annuities (In Payment)	95% Modified PMA92 90% Modified PFA92	95% Modified PMA92 90% Modified PFA92
GAF Deferred Annuities (In Payment)	95% Modified IMA92 90% Modified IFA92	95% Modified IMA92 90% Modified IFA92
	Percent of Premium	**Percent of Premium**
Group Pensions % of premium	0.15%	0.15%
Group Life % of premium	70%	70%

Annuities in payment use the following improvement factors:

Male	2008	2018	2028	2038	2048	2058
40	1.53%					
50	1.95%	1.78%				
60	2.90%	2.02%	2.00%			
70	3.80%	2.88%	2.43%	2.00%		
80	3.16%	2.85%	2.68%	2.20%	2.00%	
90	1.59%	1.80%	2.27%	2.18%	1.96%	1.95%
100	1.00%	1.03%	1.28%	1.50%	1.50%	1.50%

Female	2008	2018	2028	2038	2048	2058
40	1.32%					
50	1.93%	1.53%				
60	2.45%	1.95%	1.80%			
70	2.89%	2.43%	1.98%	1.80%		
80	2.18%	2.32%	2.20%	1.98%	1.77%	
90	1.10%	1.53%	2.00%	1.96%	1.93%	1.48%
100	0.78%	1.00%	1.05%	1.50%	1.48%	1.25%

Expectation of life resulting from these improvement factors:

	Current Age	Expectation of life from Age	Current Year		Previous Year	
			Males	Females	Males	Females
Immediate annuities	65	65	24.04	25.88	23.26	25.18
	75	75	14.28	15.58	13.78	15.15
Deferred annuities	45	65	27.12	28.69	25.97	27.50
	55	65	25.46	27.24	24.50	26.26

(5) Morbidity Basis

Not required as below de minimis level.

(6) Expense Basis

The following table shows the gross attributable expenses per policy.

Product Group		Per Policy Expense	
		Current Valuation	Previous Valuation
		£	£
CWP savings endowment (product code 120)	RP	63.32	61.12
	PUP	31.66	30.56
CWP target cash endowment (125)	RP	63.32	61.12
	PUP	31.66	30.56
CWP pensions (155/165)	RP	105.53	101.87
	SP/PUP	31.66	30.56
Term assurance (325 / 330)		37.99	36.67
Income protection (360 / 365)		61.21	59.08
Income protection claims in payment (385)		0.00	0.00
Annuity (400)		37.99	36.67
UWP savings endowment (510)	RP	63.32	61.12
	PUP	31.66	30.56
UWP target cash endowment (515)	RP	63.32	61.12
	PUP	31.66	30.56
UWP regular premium pension (525/545)	RP	105.53	101.87
	PUP	31.66	30.56
UWP single premium pension (525/545)		31.66	30.56
UWP group regular premium pension (525/545)		71.58	55.15
UWP group single premium pension (525/545)		71.58	55.15

where:

RP Regular premium policies
SP Single premium policies
PUP Paid up policies

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates And Inflation Assumptions

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at 3.3% p.a. for contracts administered by Capita. In addition, expenses are assumed to increase by 6% followed by RPI+1% after the end of the agreement with Capita in 2013.

The following rates are used for contracts administered by RMS:

2008	5.1%
2009	5.9%
2010	6.3%
2011	7.1%
2012	8.5%
2013	9.2%
2014	8.3%
2015	-19.4%

and at RPI + 1% thereafter.

(8) Future Bonus Rates

The company is a realistic basis life firm and as such, in accordance with INSPRU 1.2.9(R), no allowance has generally been made for future reversionary bonuses.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date (but see paragraph 4 (10) below).

(10) Other Material Assumptions

Expense assumptions do make an implicit allowance for the effect of expected future lapses. The inflation assumptions set out in paragraph 4 (7) have been adjusted to implicitly allow for lapses.

Provision has been made in the value of liabilities held for guaranteed benefits included in the terms of contracts in force at the valuation date.

For with-profits contracts, unitised with-profits contracts and with-profits deposit administration contracts the excess in the annual premium over the net premium not required to meet expenses is available to provide future bonuses.

For accumulating with-profits contracts, the published reserve basis applies a market value adjustment where one applies in practice.

(11) Allowance for Derivatives

No contracts have liabilities that have been calculated by reference to derivative assets. We have a holding of swaptions to hedge against the risk of interest rate falls affecting the guaranteed annuity option reserves.

(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

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

(i) the cash amount, and

(ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

Product Name	GAO Reserve £m	Min Duration	Max Duration	Guaranteed Annuity Rate % cash sum	Type of annuity	Retirement Age
Indiv Arr 1st and 2nd Series	8.0	0	30	6.02	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	7.0	0	23	3.99	Joint Life 50%	60
Indiv Arr 1st and 2nd Series	6.4	0	28	5.33	Joint Life 50%	61
Indiv Arr 1st and 2nd Series	7.8	0	28	4.86	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	2.8	0	27	4.50	Joint Life 50%	63
Indiv Arr 1st and 2nd Series	6.4	0	30	8.02	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	4.7	0	29	7.61	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	4.7	0	28	6.41	Joint Life 50%	64
Indiv Arr 1st and 2nd Series	2.7	0	20	9.46	Joint Life 50%	65

Product Name	GAO Reserve £m	Min Duration	Max Duration	Guaranteed Annuity Rate % cash sum	Type of annuity	Retirement Age
Indiv Arr 1st and 2nd Series	2.4	0	27	9.53	Single Life	65
Indiv Arr 1st and 2nd Series	1.8	0	27	8.81	Single Life	62
Indiv Arr 1st and 2nd Series	0.8	0	26	7.33	Single Life	60
Indiv Arr 1st and 2nd Series	0.6	0	19	11.11	Single Life	65
Indiv Arr 1st and 2nd Series	0.7	0	22	7.25	Joint Life 50%	61
Indiv Arr 1st and 2nd Series	0.6	0	23	7.03	Joint Life 50%	60
Seda Series 3 - Individual	20.1	0	36	5.60	Single Life	75
Seda Series 3 - Individual	2.1	4	36	6.79	Single Life	75

A portfolio of Swaptions is held to hedge against the risk of falling interest rates.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Guaranteed surrender values – the reserves for these do not exceed the materiality limits.

(3) Guaranteed Insurability Options

Guaranteed insurability options - the reserves for these do not exceed the materiality limits.

(4) Other Guarantees and Options

(a) Provision was made for any guarantees and options (other than investment performance guarantees) on the following basis.

Flexible endowment policies were valued at the higher of the net liabilities assuming maturity at:

(i) the next early maturity option with the relevant guarantees, or

(ii) the maximum term.

Conversion and guaranteed insurability options under convertible term policies have been provided for by increasing reserves over those that would have been required for term policies.

Policies previously written in BLAS

Mortality reserves in respect of guaranteed and other death benefits were set up as follows:

Pre 1982 series. Assuming a 25% fall in unit values, very few contracts would have a sum assured at risk. A nominal reserve is held.

Post 1981 series and pension business. With the exception specified below, the reserve is twice the monthly risk charge for the relevant benefits, adjusted for extra premiums.

The reserve set up for waiver of premium benefits under the Personal Pension Plan is the accumulation of premiums paid subject to a maximum of three years' premium, adjusted for extra premiums.

For permanent health insurance benefits the reserve set up is the accumulation of premiums paid subject to a maximum of three months' premiums, adjusted for extra premiums.

(b) For contracts with benefits expressed as an annuity but which have an option to secure a cash fund the reserve was calculated assuming that the benefit at maturity was the higher of:

(i) the annuity applied to the guaranteed cash option, and

(ii) the value of the annuity, using mortality rates appropriate for deferred annuities and the valuation interest as shown for that contract (but subject to a maximum of the reinvestment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	1.9	0.0	12.1	5.3	19.3
All expenses attributable	1.9	0.0	12.1	n/a	14.0
Total	1.9	0.0	12.1	5.3	19.3

(2) Implicit Allowances

Implicit allowances cover investment expenses and are allowed for by a reduction in the valuation interest rate based on the rates actually charged by Resolution Asset Management.

Fixed interest	0.08%
Property	0.35%
Cash	0.03%

(3) Form 43 Comparison

The figure of £19.3m shown in paragraph 6 (1) is made up of maintenance expenses of £12.1m, an implicit allowance of £1.9m plus explicit project costs of £5.3m. Excluding these project costs and the £2.5m contribution made to the pension scheme during the financial year, maintenance expenses are not significantly different from line 14 of Form 43.

(4) New Business Expense Overrun

As the office is closed to new business the expense incurred is not a material amount and as a result, it was not deemed necessary to hold a further specific reserve.

(5) Maintenance Expense Overrun

Specific expense reserves have not been calculated for LASPEN Managed Fund contracts.

As the basis of charging for both administrative and investment management services can be varied outside the period of guarantee, which covers only the first three years following the commencement of a policy, no explicit provision for future expenses was deemed necessary.

An additional reserve of £2.4m has been set up in respect of the Capita contract to allow for the potential cost of renegotiating the contract at the renewal date. No such reserve is considered necessary in respect of Resolution Management Services contract since the contract allows for Alba IT costs to fall to Britannic With-Profits business unit cost levels, which has not been allowed for in the expense assumptions.

No additional allowance has been made for redundancy costs or management service agreement termination costs.

(6) Non-attributable expenses

The non-attributable expenses relate to project costs which are high level estimates.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

	Matching Assets as Shown in Form 57			
	Liabilities *	Same Currency	Other Currency	Mismatching Percentage
Currency	£m	£m	£m	
Sterling (£)	1,643.6	1,638.8	4.7	0.29%
Euro (€)	63.0	61.1	1.9	2.94%
US ($)	2.2	1.8	0.4	18.02%

* Includes liabilities in respect of the deposits received from reinsurers as shown in Form 14.

The Alba With-Profits Fund has in total UK sterling denominated assets to the value of 100.21% of its UK sterling liabilities. The company has US Dollar assets to the value of 135.95% of its US Dollar liabilities and Euros assets to the value of 102.66% of its Euro liabilities.

The returns provided to Euro and US dollar with-profits policyholders are determined by reference to the same assets as are used for its sterling with-profits policies.

(2) Other Currency Exposures

"Other currency" grouping was not required in paragraph 7 (1).

(3) Currency Mismatching Reserve

No explicit currency mismatching reserve is held.

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

Not applicable

(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 other reserves are held arising from the test on assets in INSPRU 1.1.34(2)(R).

8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are as follows:

Description	Reserve
	£m
Annuities HMRC Limits	11.3

A reserve has been set up for extra increases in annuities being paid as a result of the changes in HM Revenue and Customs Limit rules.

9. REINSURANCE

(1) Facultative Treaties

(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

Immediate Annuities (Treaty 1)

(d) **XL Re Ltd (UK Branch).**
(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
(f) No premiums were paid by the company under this treaty during the year.
(g) There is no deposit back arrangement.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations.
(j) Total mathematical reserves ceded under the treaty amount to £422.4m as at the valuation date.
(k) There is no retention under the treaty.
(l) The reinsurer is authorised to transact business in the UK.
(m) The reinsurer is not connected to the company.
(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.
(o) No commission is payable on the reinsurance premium.
(p) This is not a financing reassurance treaty.

Immediate Annuities (Treaty 2)

(d) **XL Re Ltd (UK Branch).**
(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
(f) No premiums were paid by the company under this treaty during the year.
(g) There is no deposit back arrangement.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations.
(j) Total mathematical reserves ceded under the treaty amount to £174.6m as at the valuation date.
(k) There is no retention under the treaty.
(l) The reinsurer is authorised to transact business in the UK.
(m) The reinsurer is not connected to the company.
(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.
(o) No commission is payable on the reinsurance premium.
(p) This is not a financing reassurance treaty.

Immediate Annuities (Treaty 3)

(d) **Lehman Re Ltd**
(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
(f) No premiums were paid by the company under this treaty during the year.
(g) There is no deposit back arrangement.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations.
(j) Total mathematical reserves ceded under the treaty amount to £71.3m as at the valuation date.
(k) There is no retention under the treaty.
(l) The reinsurer is not authorised to transact business in the UK.
(m) The reinsurer is not connected to the company.
(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.
(o) No commission is payable on the reinsurance premium.
(p) This is not a financing reassurance treaty.

Non Profit Deferred Annuities

(d) **American International Reinsurance Company Ltd (AIRCO)**
(e) The treaty reassures 100% of the liability under the closed book of non profit deferred annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
(f) No premiums were paid by the company under this treaty during the year.
(g) There is no deposit back arrangement.
(h) The treaty is closed to new business.
(i) There are no undischarged obligations.
(j) Total mathematical reserves ceded under the treaty amount to £381.5m as at the valuation date.
(k) There is no retention under the treaty.
(l) The reinsurer is authorised to transact business in the UK.
(m) The reinsurer is not connected to the company.
(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.
(o) No commission is payable on the reinsurance premium.
(p) This is not a financing reassurance treaty.

Guaranteed Annuity Options

(d) **Britannic With-Profits Fund**

(e) The agreement reinsures the cost of meeting guaranteed annuity options not yet vested at the valuation date exercised under with and non profit policies written with a cash benefit and guaranteed annuity option in the Ordinary Long Term fund in return for a premium of 75% of the cost of meeting any such option on the assumption that the option is exercised to the maximum extent and assuming all such options are exercised. The treaty reassures the company's liability in respect of guaranteed annuity options such that Alba With-Profits Fund's liability is restricted to a maximum of 75% of the option.

(f) The premiums payable by the company under the treaty during the year were £3.2m.

(g) There is no deposit back arrangement.

(h) The treaty is open to new business.

(i) There are no undischarged obligations.

(j) Total mathematical reserves ceded under the treaty amount to £18.4m as at the valuation date.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK.

(m) The reinsurer is not connected to the company but is a subfund of

(n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(o) No commission is payable on the reinsurance premium.

(p) This is not a financing reassurance treaty.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus was allocated at the rates set out below at the date of this investigation.

Policies previously written in BLA

		Reversionary Bonus rates for current year		Reversionary Bonus rates for previous year		Total g'tee bonus for current year
	Math reserves	Sum Assured	Bonus	Sum Assured	Bonus	
Assurances	£m					
UK and overseas sterling life series A,B,H,D,K	217.1	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Annuities						
Annual Premium Self Employed Deferred Annuities Series 2 & 3	82.9	0.00%	0.00%	0.00%	0.00%	0.00%
Single Premium Self Employed Deferred Annuities Series 2 & 3	15.3	0.00%	0.00%	0.00%	0.00%	0.00%

Group Deposit Administration Contracts

The following rates were applied to these contracts for the valuation year.

	Nestegg	Nestegg 32
	£m	£m
Mathematical reserve	75.7	10.1
Compounded annual rate for previous year	1.00%	1.00%
Compounded annual rate for current year	1.00%	1.00%
Total guarantee bonus for current year	0.00%	0.00%

Growth Pensions

A total of £0.0m was distributed to policyholders. The mathematical reserves totalled £14.9m.

Growth Pension surplus is normally distributed annually by reference to an allocated share of assets to each group policy. The allocation of assets is adjusted each year according to the amount of new investment made in respect of each policy, and gives effect to changes in market value. Any bonus declared would be distributed to the policyholder as an amount of premium to be re-applied to the policy on "controlled funding" principles.

Bonuses, if payable, would be allocated in each case in respect of each annual premium due since the previous declaration subject, in the case of deferred life annuities (pension business) only, to payment of any premium outstanding at 31 December required to complete payment of a full year's premium.

Policies previously written in BLL

	Math reserve	Basic Sum Assured	Bonus	Basic Sum Assured	Bonus	Total g'tee bonus for current year
		Current Valuation		Previous Valuation		
Life assurance	£m					
All classes	115.0	0.00%	0.00%	0.00%	0.00%	0.00%
Non Genesis Annual Premium pension Contracts	11.5	0.00%	0.00%	0.00%	0.00%	0.00%
Genesis Premium Rate Annual Premium Contracts	29.1	0.00%	0.00%	0.00%	0.00%	0.00%
Buyouts and Genesis premium rate business Single Premium Contracts.	246.6	0.00%	0.00%	0.00%	0.00%	0.00%

Policies previously written in BLAS

	Math reserve £m	Current Valuation		Previous Valuation		
		Basic Sum Assured	Bonus	Basic Sum Assured	Bonus	Total g'tee bonus for current year
	£m					
UK Life Assurance Contracts	123.9					
UK Life Assurance Contracts – LAS low cost endowments	50.1	0.00%	0.00%	0.00%	0.00%	0.00%
UK Annual Premium Pension and Annuity Contracts	94.1	0.00%	0.00%	0.00%	0.00%	0.00%
UK Single Premium Pension and Annuity Contracts	40.5	0.00%	0.00%	0.00%	0.00%	0.00%
Republic of Ireland Annual Premium & Annuity Contracts	11.6	0.00%	0.00%	0.00%	0.00%	0.00%
Republic of Ireland Single Premium & Annuity Contracts	10.9	0.00%	0.00%	0.00%	0.00%	0.00%

Unitised with-profits contracts - bonus allocated to fund balances in addition to any guaranteed rate.

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m			
Life Fund (0% guarantee)	8.1	0.00%	0.00%	0.00%
Pension Fund (4% guarantee)	20.2	0.00%	0.00%	4.00%
Pension Fund (0% guarantee)	41.2	0.00%	0.00%	0.00%

Unitised Capital Guarantee Fund – bonus allocated to fund balances.

	Math reserves	Reversionary Rate for Current Year	Reversionary Bonus Rate for Previous	Total g'tee bonus for current year
	£m			
Unitised Capital Guarantee Fund	24.7	2.88%	2.30%	0.00%

Britannic Industrial Branch Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

There are no policies to which market value reductions can be applied.

(2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

(3) Non-profit Deposit Administration

There are no deposit administration contracts.

(4) Service Charges on Linked Policies

There are no linked policies.

(5) Benefit Charges on Linked Policies

There are no linked policies.

(6) Accumulating With-Profits Charges

There are no accumulating with-profits policies.

(7) Unit Pricing of Internal Linked Fund

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

All policies are valued using a gross premium method. The mathematical reserves are calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The valuation data is grouped for certain policies where premiums ceased some years ago and individual policy data is not available. The data is grouped by age at entry, term and year of entry.

For additional benefits granted under the Industrial Assurance (Life Assurance Premium Relief) Regulations 1977, 95% of the premium relief due for the remainder of the tax year has been deducted from the value of the increased sum assured.

The reserves allow for the maturity guarantee of a return of premiums on certain endowment policies.

(2) Valuation Interest Rates

The valuation interest rates used are:

Product Group	Current Valuation	Previous Valuation
With-profit	3.00%	3.00%
Non profit	3.00%	3.00%

(3) Risk Adjustments

The risk adjusted yield in Form 57 is calculated by deducting the amounts in the table below from the gross redemption yields on fixed interest securities:

Bond rating	Deduction from yield for default risk (basis points)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%
Non- rated/unrated	0.00%

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread. This is a one off adjustment due to current market conditions and will not be repeated in future valuations unless similar conditions prevail.

Equity and property yields are reduced by 2.5% of their yield and cash yields by 0.5% of their yield.

(4) Mortality Basis

The mortality bases are:

Product Group	Current Valuation	Previous Valuation
With-profit	110% AMC00 ult	100% ELT13
	110% AFC00 ult	100% ELT13
Non profit	110% AMC00 ult	100% ELT13
	110% AFC00 ult	100% ELT13

(5) Morbidity Basis

Not applicable

(6) Expense Basis

Product Group	Per Policy Expense	
	Premium paying	Non-premium paying
	£	£
With-profits (105 / 130)	35.69	7.10
Non profit (310)	n/a	7.10

(7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

The allowance made for expense inflation is:

Product Group	Current Valuation	Previous Valuation
With-profits policies	4.25%	4.25%
Non profit policies	5.50%	5.30%

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

All policies subject to a contingent debt have been valued using true ages and the actual sums assured.

The mathematical reserve is not less than the surrender value or transfer value which a policyholder might reasonably expect to receive, but excluding any element relating to final bonus.

(11) Allowance For Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities. In addition there are a few assets having the effect of a derivative contract and these do not impact the long term business 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

There are no guaranteed annuity rate options.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Minimum surrender values are applied to both whole of life and endowment policies in accordance with the Industrial Assurance Act 1923. The mathematical reserves allow for policy surrender values as described in paragraph 4 (8) above. These surrender values exceed the 1923 Act minimum amounts. The amount of the additional reserve included in Form 51 to ensure the mathematical reserve is no less than the current surrender value is shown in the table below.

These policies are conventional with-profits products therefore an market value reduction does not apply. Policyholders may not make increments to these policies.

Product Name	Basic Reserve	Guarantee Reserve	In force premium per annum
	£m	£m	£m
IB policies	508.5	1.1	37.2

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

The maturity value of endowments issued from 6 April 1999 is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

These endowments are conventional with-profits products therefore an market value reduction does not apply. Policyholders may not make increments to these policies

Product Name	Basic Reserve	Spread of outstanding durations	Guarantee Reserve	Guarantee Amount	In force premiums
	£m		£m	£m	£m
Industrial Branch	43.7	1 to 18	15.5	105.8	8.5

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
Endowment & whole life	0.7	0.0	13.8	0.2	14.7
All expenses attributable	0.7	0.0	13.8	n/a	16.4
Total	0.7	0.0	13.8	0.2	14.7

(2) Implicit Allowances

The implicit allowances represent the allowance for future investment expenses. These are calculated as the expected investment management charges based on the current asset mix and yields applied to the mathematical reserves.

(3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months is not significantly different from the maintenance expense in Form 43 line 14 and are shown in the table below.

	F43.14	table 6(1)	ratio
Homogeneous risk group	(a) £m	(b) £m	(a)/(b)
Endowment & whole life	15.3	14.7	104%
Total	15.3	14.7	104%

The expenses in line 14 of Form 43 are higher than the expenses in table 6(1). The number of policies in force is expected to reduce by 10% over the next year as policies mature. After adjusting for this and the valuation expense inflation assumption, the expense loadings are not materially different to the expenses in Form 43.

(4) New Business Expense Overrun

Since the company is not actively seeking new business, there is no new business strain and no additional reserve is required.

(5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. An additional reserve of £3.6m is established to cover the risk that there is a one-off 20% increase in per policy expenses when the current management services agreement is reviewed.

(6) Non-attributable expenses

The non attributable expenses represent the allowance for future project costs.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

All liabilities are denominated in sterling and are backed by sterling denominated assets

Currency	Math Reserves	Matching assets
	£m	£m
Sterling (£)	542.0	542.0
Euro (€)	0.0	0.0
Total	542.0	542.0

(2) Other Currency Exposures

All liabilities are denominated in sterling.

(3) Currency Mismatching Reserve

There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

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

PLL is a realistic basis reporting company and as such there is no resilience capital requirement.

(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)

The size, currency and term of assets in respect of the fund are reviewed regularly. Since the fund can include property investments, UK and overseas equities as well as fixed interest, the suitability of the duration of fixed interest assets is reviewed by considering projections of liabilities that exclude future bonus. These assets are then managed according to a performance benchmark that reflects the required duration of the liabilities. Other investments of the funds, excepting direct property, are readily realisable to the extent that additional cashflow requirements can be met by the sale of assets when necessary.

In view of this, no additional reserves for cashflow or currency mismatching are regarded as appropriate in relation to INSPRU 1.1.34(R).

8. OTHER SPECIAL RESERVES

There are no special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative Treaties

(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

There are no reinsurance treaties in force.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus series	Math reserves	Reversionary bonus rate for current year	Reversionary bonus rate for previous year	Total guaranteed bonus rate for current year
	£m			
Industrial Branch	478.8	0.44%	0.43%	0.44%

Britannic With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market value reductions may be applied to unitised with-profits and smoothed return business for non protected exits such as surrenders, transfers and early or late retirements. Market value reductions may not be applied for protected exits which generally include, death, maturity, surrender at a guarantee date and retirement at the selected retirement date. The times at which a market value reduction may be applied have previously been fully described in the product range information provided in previous annual returns.

Market value reductions are applied and calculated on an individual policy basis, based on that particular policy's individual circumstances, including the policy's premium history and investment conditions over the duration of the policy and those prevailing at the time of non protected exit. Consequently a statement of the period for which market value reductions were applied and a summary of the policy years of entry to which it was applied is not available.

During the year, market value reductions were applied to claims to some degree for all types unitised with-profits and smoothed return business, other than the smoothed return Britannic With Profits Bond.

(2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

(3) Non-profit Deposit Administration

There are no deposit administration policies in force.

(4) Service Charges on Linked Policies

There have been no changes to service charges on linked policies.

(5) Benefit Charges on Linked Policies

There have been no changes to benefit charges on linked policies.

(6) Accumulating With-Profits Charges

The mortality charges for the Capital Builder and Easy Build Mortgage products were changed during the valuation year. The old mortality charges were as follows:

Easy Build and Low Start Mortgage (EM)***		
	Previous rates	New rates
V1 Proposal Date before 4/4/94		
Male	100% A67/70 sel + AIDS table R6A	115% AM92
Female	100% A67/70 sel adjusted* with three year age deduction	125% AF92
V2 Proposal Date 4/4/94 to 21/12/94		
Male	115% AM80 sel + AIDS table R6A	115% AM92
Female	115% AF80 sel adjusted** + 33% AIDS table R6A	125% AF92
V3 Proposal Date after 21/12/94		
Non Smoker		
Male	100% AM80 sel + AIDS table R6A	100% AM92
Female	100% AM80 sel adjusted + 33%AIDS table R6A	108.5% AF92
Smoker		
Male	150% AM80 sel + AIDS table R6A	200% AM92
Female	150% AF80 sel adjusted**+ 33% AIDS table R6A	217% AF92
CapitalBuilder (CB)* **		
	Previous rates	New rates
V1Proposal Date before 4/4/94		
Male	117.5% AM80 sel + AIDS table R6A	115% AM92
Female	124% AF80 sel adjusted** + 25% AIDS table R6A	125% AF92
V2 Proposal Date after 3/4/94		
Male	115% AM80 sel + AIDS table R6A	115% AM92
Female	115% AF80 sel adjusted** + 33% AIDS table R6A	125% AF92

*adjusted to remove accident 'hump'
**adjusted such that qx = q35 for x < 35
***AIDS loading applied at 1/3 and 2/3 of ultimate rate for years 1 and 2

For the new rates both the current experience and the industry data which underlies the published CMI data will include AIDS experience, so there is no need to make an explicit allowance for AIDS in the rates.

The percentage impact is shown for a set of specimen ages where young are defined as 18 to 35, middle are 36 to 55 and old are 56 to 80. The table also includes the impact on policies which include critical illness benefits.

The average of the new deduction factors compared to the old factors for the specified age								
			smoker	non	smoker	non		
Males	**EM v1**	**EM v2**	**EM v3**	**EM v3**	**EM + CI**	**EM + CI**	**CB v1**	**CB v2**
Young	81%	84%	114%	83%	107%	90%	79%	84%
Middle	46%	60%	83%	58%	92%	78%	48%	60%
Older	70%	73%	98%	73%	103%	83%	71%	73%
Females	**EM v1**	**EM v2**	**EM v3**	**EM v3**	**EM + CI**	**EM + CI**	**CB v1**	**CB v2**
Young	55%	56%	75%	55%	86%	77%	51%	56%
Middle	79%	82%	111%	80%	103%	94%	71%	82%
Older	60%	84%	113%	84%	108%	91%	79%	84%

The amount of business affected by the change is shown below:

Easy Build and Low Start Mortgage (EM)	
Policies in force	303
Death SAR	6.1
Reserves	3.2
CapitalBuilder (CB)	
Policies in force	2,250
Death SAR	21.2
Reserves	21.4

There were no other changes to benefit charges on accumulating with-profits policies in the period.

(7) Unit Pricing of Internal Linked Funds

The internal linked funds are held within the Non Profit Fund.

(8) Tax Deductions from Internal Linked Funds

The tax deductions are described in the Non Profit Fund Section.

(9) Tax Provisions for Internal Linked Funds

The tax provisions are described in the Non Profit Fund Section.

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

Policies previously written in BA

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business fund are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The mathematical reserve for guaranteed annuity option business reinsured from the Alba With-Profits Fund is based on the excess of the value of the deferred annuity compared to the cash amount. The underlying assumption is that 90% of policyholders exercise the option and that 20% of the policyholders exercising the option take the maximum tax-free cash. These assumptions are at least as prudent as the requirement in INSPRU 1.2.66(G).

The mathematical reserve includes reserves for lapsed policies which may be reinstated under the company's non-forfeiture regulations by payment of arrears. The mathematical reserves are reduced by the premium in arrears.

The reserves for contracts providing terminal illness benefit allow for the payment of death benefit a year early and for the loss of a year's premiums.

The reserves allow for the maximum estimated future cost of the concession granted to policies at the time of withdrawal of life assurance premium relief.

The mathematical reserves for the with-profits annuity is the value of projected future cashflows allowing future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions. The future annuity payments allow for the smoothing of annuity payments down to the level supported by the valuation interest rate.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

(i) The face value of units, which is the number of units including attaching bonus units allocated up to the valuation date valued at £1.00 each. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme.

(ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses. In the projection, there is no allowance for future reversionary bonuses. For regular premium paying policies, the reserves are based on :

   a. 50% of the higher of the reserve calculated assuming that regular premiums continue to be paid at the current level and the reserve if premiums increase automatically in line with policy conditions; and

   b. 50% of the reserve calculated assuming that premiums cease and the policy becomes paid up at the valuation date.

The non-unit reserve for mortality cover for regular premium policies is equal to at least eighteen times the current monthly charge for these benefits.

The mathematical reserve for the overseas with profit bond (series I) makes no allowance for future bonus.

For the smoothed return With Profit Bond invested in Series B2 units, the mathematical reserves allow for future reversionary bonus supported by the valuation interest rate after allowing for the management charges. Allowance is made for the period during which the reversionary bonus rates are reduced to supportable levels after allowing for the smoothed policy value and guaranteed policy value as appropriate and smoothed investment returns.

Mortality charges are not guaranteed and can be varied at short notice. Policyholders would reasonably expect any increases in charges to be justified by significant adverse actual experience. The reserves make no allowance for changes in future mortality charges.

Unit Linked Business

Policies investing in unitised with-profits units may also invest in unit linked units in the Non Profit Fund. The sterling reserves covering future expenses and mortality costs for life policies are apportioned between the Britannic With-Profits Fund and the Non Profit fund in proportion to the unit liabilities. The sterling reserve for pension policies is maintained in the Britannic With-Profits fund. All unit liabilities are held in the Non Profit Fund.

The expense reserves are determined from projected cashflows and are such that no policy experiences future valuation strain.

For regular premium paying business, the aggregate expense reserves are based on 50% of the higher of the reserve calculated assuming that regular premiums continued to be paid at the current level and the reserve calculated assuming that regular premiums increased automatically in line with the policy conditions and 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

Where the annual management fees for the internal linked funds could be increased in the future, policyholders would reasonably expect that any such increase would be justified in terms of the company's own operating experience or external events outside the control of the company. The calculation of the non unit reserves makes no allowance for future increases in operating expenses other than RPI linked increases set out in the management services agreement.

Policies previously written in Century

For with-profits whole life and endowment assurance contracts, the reserve was calculated using the net premium method of valuation with a Zillmer adjustment. The net premiums were limited to a maximum percentage of the office premium as follows:

Ex-NEL With Profit Assurances	95%
Ex-Prosperity Whole Life Assurances	85%
Ex-Prosperity Endowment Assurances	95%
Ex-Sentinel With-Profit Assurances	65%

Policies have been issued subject to a lien and under certain Endowment Assurance policies the sum payable on death may be less than the sum payable at maturity. In the valuation an amount equal to the sum payable on maturity has been assumed to be the sum payable at death.

The reserves calculated were tested against the guaranteed surrender value and if the latter was the greater then this amount was held as the valuation reserve.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

For policies where the extended term non-forfeiture provision was in operation on the valuation date, a reserve was held to cover the liability during the remaining period of non-forfeiture and, for endowment assurances, any maturity payment at the end of the period.

For lives accepted at non-standard rates, the additional reserve held was an amount equal to 150% of the annual office extra premium.

<u>Non Linked Deferred Annuities</u>

For Ex-Sentinel with-profits deferred annuity contracts the reserve was calculated using the net premium method of valuation. The net premiums were limited to a maximum of 90% of the office premium.

For ex-NEL with-profits 'untied' and 'tied' Deferred Annuities, the mathematical reserve has been ascertained for each policy by deducting from the present value of the cash option and annuity respectively and the present value of an amount not less than the return on death, if any, the present value of the net premiums receivable. The net premium method of valuation was used, the net premium so calculated being restricted to a maximum of 95% of the annualised office premium. No Zillmer adjustment was made.

For all policies, the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

The reserve for paid up or single premium policies was increased by 6.25% to provide for future expenses relating to those policies.

(2) Valuation Interest Rates

The valuation interest rates used for the main groups of policy are:

Product Group		Current Valuation	Previous Valuation
Policies previously written in BA			
Conventional Life Business			
With-profits and non profit assurances	discount rate	3.00%	3.00%
With-profits deferred annuity	in deferment	3.75%	3.75%
	in payment	3.75%	3.75%
Conventional Pensions Business			
With-profits deferred annuity	in deferment	3.75%	3.75%
	in payment	3.75%	3.75%
Non profit deferred annuity	in deferment	3.75%	3.75%
	in payment	3.75%	3.75%
With-profits annuity	discount rate	3.75%	3.25%
Guaranteed annuity options	in deferment	3.75%	3.75%
	in payment	3.75%	3.75%
Unitised Life Business			
Single premium whole life (portfolio)	unit growth	3.00%	3.00%
	discount rate	3.00%	3.00%
Single premium whole life (series B2, FWL)	unit growth	3.00%	3.00%
	discount rate	3.00%	3.00%
Regular premium endowment - savings	unit growth	3.00%	3.00%
	discount rate	3.00%	3.00%
Regular premium ISA	unit growth	3.75%	3.25%
	discount rate	3.75%	3.25%
Unitised Pensions Business			3.25%
Individual pensions	unit growth	3.75%	3.25%
	discount rate	3.75%	3.25%
Overseas Business			
Single premium series I (Irish life)	unit growth	3.75%	3.25%
	discount rate	3.75%	3.25%
Unit Linked Life Business			
Single premium whole life (portfolio)	unit growth	4.30%	4.35%
	discount rate	3.30%	3.00%
Regular premium endowment - savings	unit growth	4.30%	4.35%
	discount rate	3.30%	3.00%
Unit linked pensions			
Personal Pensions & FSAVCs	unit growth	4.80%	4.95%
	discount rate	4.10%	3.80%
Stakeholder	unit growth	4.85%	4.95%
	discount rate	4.10%	3.80%

Product Group		Current Year	Previous Year
Policies previously written in Century			
With-profits whole life and endowments	discount rate	3.00%	3.00%
Non linked deferred annuity with profits	in deferment	3.75%	3.75%
	in payment	3.75%	3.75%

(3) Risk Adjustments

The risk adjusted yield in Form 57 was calculated by deducting the amounts in the table below from the gross redemption yields on fixed interest securities:

Rating	Deduction (d)
Sovereign	0
AAA	8
AA	12
A	24
BBB	66
BB	254
B	722

i.e. amended yield is y – d where y is the unadjusted yield

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread. This is a one off adjustment due to current market conditions and will not be repeated in future valuations unless similar conditions prevail.

Policies previously written in BA

Equity and property yields are reduced by 2.5% of their yield and cash yields by 0.5% of their yield.

(4) Mortality Basis

Policies previously written in BA

The mortality bases for the main classes of business are:

Product Group	Current Valuation	Previous Valuation
Conventional Life Business		
With-profits and non profit assurances	110% AMC00 ult 110% AFC00 ult	AM80 ult
With-profits deferred annuity		
in deferment	85% AMC00 ult 85% AFC00 ult	60% AM80 ult
in payment	58% PMA92 C2020 54% PFA92 C2020	70% PMA92 C2020 70% PFA 92 C2020
Conventional Pensions Business		
With-profits deferred annuity		
in deferment	85% AMC00 ult 85% AFC00 ult	60% AM80 ult
in payment	58% PMA92 C2020 54% PFA92 C2020	70% PMA92 C2020 70% PFA 92 C2020
Non profit deferred annuity		
in deferment	85% AMC00 ult 85% AFC00 ult	60% AM80 ult
in payment	58% PMA92 C2020 54% PFA92 C2020	70% PMA 92 C2020 70% PFA 92 C2020
With-Profits Annuity		
	Modified PMA 92 Modified PFA 92	Modified PMA 92 Modified PFA 92
Guaranteed annuity options		
	95% PMA92 MedCoh 90% PFA92 MedCoh	90% PMA92 MedCoh 85% PFA92 MedCoh
Unitised Life Business		
Single premium whole life	110% AMC00 ult 110% AFC00 ult	AM80 ult
Single premium whole life series B2	110% AMC00 ult 110% AFC00 ult	AM80 ult
Regular premium endowment savings	110% AMC00 ult 110% AFC00 ult	AM80 ult
Unitised Pensions Business		
Individual pensions	110% AMC00 ult 110% AFC00 ult	AM80 ult
Overseas Business		
Single premium series I	110% AMC00 ult 110% AFC00 ult	AM80 ult
Unit Linked Life Business		
Single premium whole life (portfolio)	110% AMC00 ult 110% AFC00 ult	AM80 ult
Regular premium endowment (savings)	110% AMC00 ult 110% AFC00 ult	AM80 ult
Unit Linked Pensions		
Personal Pensions & FSAVCs	110% AMC00 ult 110% AFC00 ult	AM80 ult
Stakeholder	110% AMC00 ult 110% AFC00 ult	AM80 ult

The expectation of life and longevity improvement factors for the with-profits annuity for the current year are:

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium Impairment	High Impairment	Seriously ill
Male aged 65	26.93	25.50	25.46	23.51	21.54	21.19	23.13
Male aged 75	18.31	17.28	17.12	16.05	14.68	15.58	16.06
Female aged 65	22.25	20.28	20.56	17.40	15.14	13.01	14.87
Female aged 75	14.37	12.98	13.09	11.03	9.43	9.30	11.35

The expectation of life and longevity improvement factors for the with-profits annuity for the previous year were

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium Impairment	High Impairment	Seriously ill
Male aged 65	23.06	20.38	19.08	16.79	16.02	14.48	16.51
Male aged 75	14.39	12.18	11.22	9.48	8.97	8.89	10.79
Female aged 65	25.29	22.82	21.88	19.87	19.43	19.26	21.01
Female aged 75	16.41	14.34	13.73	12.25	12.11	12.96	13.44

The longevity improvement factors used for with-profits annuity for the current year are:

Males	**2008**	**2018**	**2028**	**2038**	**2048**	**2058**
40	1.53%					
50	1.95%	1.78%				
60	2.90%	2.02%	2.00%			
70	3.80%	2.88%	2.43%	2.00%		
80	3.16%	2.85%	2.68%	2.20%	2.00%	
90	1.59%	1.80%	2.27%	2.18%	1.96%	1.95%
100	1.00%	1.03%	1.28%	1.50%	1.50%	1.50%

Females	**2008**	**2018**	**2028**	**2038**	**2048**	**2058**
40	1.32%					
50	1.93%	1.53%				
60	2.45%	1.95%	1.80%			
70	2.89%	2.43%	1.98%	1.80%		
80	2.18%	2.32%	2.20%	1.98%	1.77%	
90	1.10%	1.53%	2.00%	1.96%	1.93%	1.48%
100	0.78%	1.00%	1.05%	1.50%	1.48%	1.25%

The expectation of life for with-profits deferred annuity for the current and previous year are:

Representative description of underwriting category	**Current Valuation**	**Previous Valuation**
Male aged 65	28.30	25.37
Male aged 75	19.52	16.79
Female aged 65	24.27	22.16
Female aged 75	15.78	13.83

The mortality tables used for with-profits deferred annuity for the current year are PMA92/PFA92 projected to 2010 using calendar year CMI R17 longevity improvement factors.

Policies previously written in Century

The mortality bases used in the valuation of the significant groups of business are as follows

Product Group	Current Valuation	Previous Valuation
With-Profits Whole Life and Endowment Assurance		
Base Table	81% A67/70 Ult	75% A67/70 Ult
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
With-Profits Deferred Annuity - in deferment		
Base Table	43% A67/70 Ult	55% A67/70 Ult
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

(5) Morbidity Basis

There is not a significant amount of business with critical illness cover.

(6) Expenses

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	(£)	(£)
CWP savings endowment (120)		
Premium paying	39.01	39.48
Single premium/paid up	19.51	19.74
CWP target cash endowment (125)		
Premium paying	39.01	39.48
Single premium/paid up	19.51	19.74
CWP pensions (155/165)		
Premium paying	65.02	65.80
Single premium/paid up	19.51	19.74
UWP Bond (500)		
Premium paying	39.01	39.48
Single premium/paid up	19.51	19.74
UWP savings endowment (510)		
Premium paying	39.01	39.48
Single premium/paid up	19.51	19.74
UWP pension (525 / 545)		
Regular premium	65.02	65.80
Single premium/paid up	19.51	19.74
UL bond (700)		
Premium paying	45.45	45.01
Single premium/paid up	45.45	45.01
UL savings endowment (715)		
Premium paying	45.45	45.01
Single premium/paid up	45.45	45.01
UL pension (725)		
Regular premium	50.79	50.31
Single premium/paid up	50.79	50.31

The unit linked expenses in this table are the expenses charges by Resolution Management Services. The Britannic With-Profits Fund administers the unit linked policies on behalf of the Non Profit Fund, the expenses being described in the Non Profit Fund section of Appendix 9.4.

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply. The following table shows the zillmer adjustments for other premium paying policies where the reserve was calculated using the net premium method of valuation:

Product Group	Current Valuation	Previous Valuation
CWP savings endowment (120)	3.00%	3.00%

The zillmer adjustments on life business are netted down for tax at 20%.

The expense assumptions for deferred annuities and non-premium paying assurances where the net premium method was used were as follows:

Product Group	Current Valuation	Previous Valuation
	% of reserve	% of reserve
CWP savings endowment (120)	2.25%	2.25%
Deferred annuities (390)	6.25%	6.25%

The expenses on life business are netted down for tax at 20%.

(7) Unit Growth Rates And Expense Inflation

Policies previously written in BA

Product Group	Current Valuation	Previous Valuation
Unit growth rates		
Life business	4.30%	4.35%
Pensions business	4.80%	4.95%
Expense inflation		
With profit policies	4.25%	4.25%
Non profit policies	4.50%	5.30%
Unit linked [(1)]		
RMS expense charges	4.50%	4.30%
BULA expense charges	3.50%	3.30%

(1) The Britannic With-Profits Fund administers the unit linked element of the unitised policies on behalf of the Non Profit Fund. The expenses charged to the Non Profit Fund are specified in an expense agreement and inflate in line with RPI. Brittanic With-Profits Fund is charged an expense per policy in respect of these policies by Resolution Management Services, these expenses inflate in line with RPI plus 1%.

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for conventional and unitised with-profits business other than for minor specific reserves for future bonuses for Century Ex-Prosperity contracts and the Britannic smoothed return with-profits bond invested in Series B2 units.

For the Britannic With-Profits Bond the average smoothed return applicable at 1 January 2008 was 8.24%.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

All policies subject to a contingent debt have been valued at true ages and the actual sums assured.

Policies issued subject to an extra premium have been valued at true ages and for policies previously written in BA an additional reserve of one year's extra premium and for policies previously written in Century an additional reserve of 150% of one year's extra premium have been established.

The mathematical reserve is not less than the surrender value or transfer value that a policyholder might reasonably expect to receive, but excluding any element relating to terminal bonus.

(11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities except as described in paragraph 5 (1) below.

(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

Policies previously written in BA

The reinsurance accepted in respect of guaranteed annuity options referred to in paragraph 4 (1) and shown on Form 51 relates to the liability arising when the annuities vest in the Alba With-Profits Fund in the future.

Policies previously written in Century

The liabilities for guaranteed annuity rate options were calculated at policy level using a deterministic valuation interest rate. All the policies were significantly in the money at the valuation date and are likely to remain so in the future unless interest rates increase substantially. The value of the guaranteed annuity options is therefore virtually all intrinsic value, and if a stochastic method had been used, the reserves thus calculated would not be materially different from the values reported.

The main assumptions used to value guaranteed annuity options were:

(a) 20% of policies take 25% of their fund as cash at retirement leading to a 95% guaranteed annuity options take-up rate assumption for all outstanding durations;

(b) mortality was assumed to be on the same basis as for the underlying policy valuation;

(c) an expense allowance of 5% was included for payment expenses post vesting;

(d) a valuation interest rate of 3.85%; and

(e) the rate of interest used after vesting was 4.75%.

Details of guaranteed annuity options that were in force at the valuation date are shown in the table below:

Product	Basic Reserve	O/S Durn Spread	Gtee Reserve	GAO Rate	Incrs Yes/No	Ann. Form	Ret. Ages
	£m	years	£m	%cash sum			
Ex-Sentinel Dfd.Ann	2.2	1-32	0.9	10.25%	No	*	60-75

*The guaranteed annuity option rates shown are for a male age 65, monthly level annuity, payable in advance with 5 year guarantee period – other options are available.

In general, where policyholders may make increments to the policy, the guaranteed annuity option does not apply to the regular premium increases or additional single premiums.

(2) Guaranteed Surrender and Unit-linked Maturity Values

There are no policies with a unit linked maturity guarantee in force. Details of policies with guaranteed surrender values are described below.

Product	Basic Reserve	Guarantee Reserve	Guaranteed amount	In force premium per annum
	£m	£m	£m	£m
Portfolio investment Bond	259.1	0.0	259.1	0.0
With Profit Bond (Series B2)	12.6	0.0	12.6	0.0
With Profit Bond (series I)	92.6	0.0	92.6	0.0

Portfolio Investment Bond

(a) The general method and basis of valuation are described in paragraph 4. The policies are valued assuming the benefits are paid as death benefits at age 100 as this is more onerous than allowing for surrender on a guarantee date. No additional surrender guarantee reserve is required.

(b) (i) product name, (ii) basic reserve, (iv) guarantee reserve, (v) guaranteed amount and (vii) in force premiums are shown in the table above.

(iii) and (vi)

On surrender at a guarantee date, with-profits units and bonus units have a guaranteed value of £1.00. In addition, for policies issued from 28 May 1997, the surrender value at the guarantee date in respect of the with-profits benefits will not be less than the premium applied to purchase those benefits. The guarantee date varies by date of issue of the policy:

Date of issue	Guarantee dates
Prior to 12 July 1994	fifth and subsequent policy anniversaries
12 July 1994 to 6 April 1999	fifth and subsequent quinquennial policy anniveraries
from 6 April 1999	tenth and subsequent policy anniversaries

(viii) No increments can be made to the policy.

With Profits Bond (Series B2)

(a) The general method and basis of valuation are described in paragraph 4.

(b) (i) product name, (ii) basic reserve, (iv) guarantee reserve, (v) guaranteed amount and (vii) in force premiums are shown in the table above.

(iii) and (vi)

This policy invests in the With-Profits Fund and participates in surplus in the With-Profits Fund by the allocation of smoothed investment returns. Each contribution has two separate values, the smoothed value and the guaranteed value, together with an underlying unsmoothed value. The smoothed value is the contribution increased or decreased by the smoothed investment return net of the initial charge and annual management charge. The guaranteed value is initially 75% of the smoothed value and will be increased such that it is equal to 75% of the previous highest smoothed value.

The full or partial withdrawal value at a guarantee date is the higher of the smoothed value and the guaranteed value.

The guarantee dates are the 5th and subsequent quinquennial policy anniversaries.

(viii) No increments can be made to the policy.

With Profits Bond (Series I)

(a) The general method and basis of valuation are described in paragraph 4.

(b) (i) product name, (ii) basic reserve, (iv) guarantee reserve, (v) guaranteed amount and (vii) in force premiums are shown in the table above.

(iii) and (vi)

This policy invests in the With-Profits Fund and reversionary bonus vests on a daily basis at a rate declared at the previous valuation date in anticipation of surplus that would otherwise emerge following the previous valuation.

The full withdrawal value at a guarantee date is the full value of the units including reversionary bonus added to date.

The guarantee dates are the 7th and subsequent policy anniversaries.

(viii) No increments can be made to the policy.

(3) Guaranteed Insurability Options

(a) For policies previously written in BA, a reserve of £0.6m is established to cover the cost of guaranteed insurability options. This is calculated as 5% of the office premiums plus 0.1% of the sum at risk for these policies.

No business that was previously written in Century contains any guaranteed insurability, continuation or conversion options.

(b) The total sum assured for policies with guaranteed insurability, continuation and conversion options is less than £1bn.

(4) Other Guarantees and Options

For BA endowments issued from 6 April 2000, the maturity value is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

Product	Basic Reserve	Spread of outstanding durations	Guarantee Reserve	Guarantee Amount	In force premiums
	£m		£m	£m	£m
Ordinary Branch Endowment	21.0	2 to 26	7.7	60.1	4.8

Policyholders may not make increments to these policies.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
Policies previously written in BA	4.8	0.0	16.0	0.7	21.5
Policies previously written in Century Life	0.9	0.1	0.0	0.0	1.0
All expenses attributable	5.7	0.1	16.0	n/a	21.8
Total	5.7	0.1	16.0	0.7	22.5

(2) Implicit Allowances

The basis for calculating the implicit allowances within 6 (1) is outlined in section 4, the main elements of the calculation being:

(a) the margin between the office premium and the net premium for prospectively valued contracts where the net premium method has been employed;

(b) margins expressed as a percentage of certain non linked reserves e.g. certain single premium and paid up assurances where a net premium valuation method has been employed; and

(c) allowance for investment management charges which is calculated as the expected investment management charge for the next financial year applied to the mathematical reserves in Form 50.

(3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months is significantly different from the maintenance expense in Form 43 line 14 as shown in the table below:

	F43.14	table 6(1)	ratio
Homogeneous risk group	(a) £m	(b) £m	(a)/(b)
Policies previously written in BA	37.2	21.5	173%
Policies previously written in Century Life		1.0	0%
Total	37.2	22.5	166%

The expenses in line 14 of Form 43 are significantly higher than the expenses in table 6(1). Form 43 includes £4.2m expenses relating to the maintenance of the Wythall Green Property and a £10.9m contribution made to the pension scheme during the financial year.

The Wythall Green Property expense is exceeded by the rental income from the property by a significant margin and the net amount is treated as investment income in the valuation rather than being included in the valuation expense allowances.

After adjusting for these other expenses the expense loadings are not materially different to the expenses in Form 43.

(4) New Business Expense Overrun

Since the company is not actively seeking 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

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. As described in paragraph 8, an additional reserve of £25.7m is established to cover the risk that there is a one-off increase in per policy charges when the current management services agreement is reviewed.

(6) Non-attributable expenses

The non-attributable expenses represent the allowance for future project costs (£0.6m) and proposed changes to the charges under the management services agreement with Resolution Management Services (£0.1m). These expenses represent the expected level of expenses over the next financial year, having regard for the level of past project costs. No allowance has been made for benefits from future projects.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves (other than those for property linked liabilities) are mostly in sterling and are mostly matched by assets in sterling realisable in the United Kingdom.

The table shows the results.

Currency	Mathematical Reserves	Backed by assets
	£m	£m
Sterling (£)	4,058.3	4,058.3
Other currencies	93.6	93.6
Total	4,151.9	4,151.9

* Includes liabilities in respect of deposits received from reinsurers

(2) Other Currency Exposures

See paragraph 7 (1).

(3) Currency Mismatching Reserve

A subfund of euro-denominated assets is maintained in respect of euro-denominated liabilities. There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

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

PLL is a realistic basis company and therefore the resilience capital requirement does not apply.

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

No applicable

(6) Resilience Capital Requirement

Not applicable

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

No further reserve is required in respect of INSPRU 1.1.34(2)(R).

The size, currency and term of assets in respect of non profit and with-profits business are reviewed regularly. A sub-fund of euro-denominated assets is maintained in respect of euro-denominated liabilities.

In the fund, which can include property investments, UK and overseas equities as well as fixed interest, the suitability of the duration of fixed interest assets is reviewed by considering projections of liabilities both with and without future bonus which allow for voluntary discontinuance. These assets are then managed according to a performance benchmark that reflects the required duration of the liabilities. Other investments of the funds, excepting direct property, are readily realisable to the extent that additional cashflow requirements can be met by the sale of assets when necessary.

In view of this, no additional reserves for cashflow or currency mismatching are regarded as appropriate.

8. OTHER SPECIAL RESERVES

The special reserves exceeding £10m are:

Description	Reserve
	£m
Pensions Review Reserve	24.0
Expense Contingency Reserve	25.7
Data Contingency Reserve	15.0
Litigation Reserve	11.3
Pension Scheme Risk Reserve	15.0
Project costs	10.1

Pension Review Reserve

This covers the expected additional benefits or compensation payable to certain personal pension policyholders where best advice rules may not have been adhered to.

The valuation basis for calculating the liability relating to the expected cost of guarantees where the value of the personal pension is promised to match the value of the associated occupational pension scheme is consistent with that set out in paragraph 4.

The reserve for other compensation payments is based on prudent assumptions about the expected number of payments and the average compensation amount per case. The assumptions take into account current experience. No discounting to the date of settlement is applied.

Expense Contingency Reserve

This reserve covers the risk that per policy expenses are increased when the management services agreement is reviewed in 2014. The reserve assumes an increase of 20% in expenses at the time of the review, discounted to the valuation date at rates consistent with those set out in paragraph 4(2).

Data Contingency Reserve

This reserve covers additional liabilities, which may arise in connection with data errors affecting the long-term business, is held and is calculated having regard to past experience.

Litigation Reserve

This reserve is held for future litigation settlements and other similar costs, which is calculated having regard to past experience.

Pension Scheme Risk Reserve

The Britannic With-Profits Fund has a degree of exposure to the risks within the Resolution Group Pension Scheme. This includes exposure to longevity risk and potential pension scheme costs arising when the terms of the management services agreement are reviewed in eight years time.

These risks can be mitigated by the scheme surplus in the first instance, but there are some potential liabilities for the With-Profits Fund. It is possible that the scheme actuary will strengthen the longevity assumptions in the scheme valuation at some point to bring assumptions more in line with longevity assumptions in the regulatory valuation increasing the risk.

An additional provision has been established to cover these risks for the regulatory valuation which has been allocated 100% to the Britannic With-Profit Fund recognising the rapid run-off of the Brittanic Industrial Branch Fund and the likely time horizon of any risk crystallising.

Project costs

This reserve covers future project costs which are not included in the valuation basis per-policy expenses.

9. REINSURANCE

(1) Facultative Treaties

(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 relevant reinsurance treaties in force at the valuation date are described below.

(d) **Non Profit Fund of Phoenix Life Limited**

(e) The treaty covers property linked benefits under unitised life and pensions contracts, including stakeholder pensions, on a 100% quota share basis.
The treaty is subject to an experience adjustment in respect of pensions business whereby the reinsurance premium to be paid is reduced by the product charges (i.e. management fee and difference between the policy premiums and the bid value of the units allocated) and increased by the policy related, investment management and other expenses the reinsurer incurs in respect of these policies.

(f) The premiums payable by the insurer during the year are £18.3m.

(g) There are no deposit back arrangements.

(h) The treaty is open to new business.

(i) There are no undischarged obligations

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £438.0m.

(k) 0% of the property linked benefits relating to new policies being reinsured are retained by the insurer.

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The reinsurer is not a connected company of the insurer, but is a subfund of PLL.

(n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(o) There is no reinsurance commission payable under the contract.

(p) The treaty is not a financing arrangement.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus Series	Math reserves £m	Reversionary Bonus Rate for Current Year %	Reversionary Bonus Rate for Previous year %	Total g'tee bonus for current year %
Policies previously written in BA				
Conventional				
Assurances	442.7	0.448%	0.429%	0.448%
Life Deferred Annuities	16.2	0.660%	0.614%	0.660%
Pensions Deferred Annuities	104.4	0.899%	0.840%	0.899%
Unitised With-Profits				
Life Regular Premium	24.7	0.000%	0.000%	0.000%
Life Single Premium	262.4	0.000%	0.000%	0.000%
Pensions	2,677.6	3.000%	3.000%	3.000%
Irish life - Euro denominated	92.6	3.750%	3.750%	3.750%
New WP bond (smoothed returns	13.9	6.940%	6.330%	6.940%
WP annuity	14.7	7.120%	6.010%	7.120%
Policies previously written in Century				
Ex - Sentinel				
Simple Bonus	15.8	4.75%	4.75%	4.75%
Compound - assurances	4.5	3.80%/3.80%	3.80%/3.80%	3.80%/3.80%
Compound - deferred annuities	2.2	3.80%/3.80%	3.80%/3.80%	3.80%/3.80%
Ex-NAL				
Simple Bonus	39.8	6.00%	6.00%	6.00%
Compound Bonus	23.8	6.00%	6.00%	6.00%
Ex-Prosperity				
All contracts	5.9	3.35%/4.00%	3.35%/4.00%	3.35%/4.00%

Notes

(a) The unitised with-profits bonus is the percentage addition per annum to basic and bonus units in force as at 31 December and allows for the period the units had been in force during that year.

(b) The reversionary bonus for conventional business previously written in BA is a simple bonus scale where the addition for the year depends on the duration in force.

(c) The smoothed return allocated to the Britannic With Profits Bond is declared quarterly and varies by unit series which is based on policy date of commencement and rate shown is the weighted average applied.

(d) The average declared return applied for the with-profits annuity was 7.12% and average guaranteed uplift applied for 2007 was 0.65%.

Phoenix With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Unitised With Profit Bond
Market value reductions have been applied throughout the year.

These policies were sold between June 1996 and September 2001 and all policy years of entry have been subject to market value reductions.

Lifestyle Bond
Market value reductions have been applied throughout the year.

These policies were sold between February 2001 and December 2001 and have been subject to market value reductions.

UK With Profit Bond (Pre 1997)
Market value reductions have been applied throughout the year.

These policies were sold between January 1992 and December 1996. Policies sold in 1993 and policies sold in 1996 have been subject to market value reductions.

Isle of Man With Profit Bond (Pre 1999)
Market value reductions have been applied throughout the year.

These policies were sold between December 1992 and December 1998. Policies sold between 1996 and 1998 have been subject to market value reductions.

Living Pensions
The following products within the Living Pensions range have a unitised with-profits option:

- Living Pensions Personal Pension
- Living Pensions Personal Option Policy
- Living Pensions Top Up Pension

Market value reductions were applied from January 2007 to April 2007 inclusive.

These policies were sold between April 1996 and December 1996 although remained open to increments until April 2001. Policies sold between 1999 and 2000 have been subject to market value reductions.

Unitised With-Profits Pensions
The following products within the unitised with-profits pensions range have a unitised with-profits option:

- Executive Pension Plan
- Company Pension Scheme

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

Market value reductions have been applied throughout the year.

These policies were sold between January 1995 and April 2001 although remain open to increments. Policies sold between 1999 and 2000 have been subject to market value reductions.

Pensions Solutions

The following products within the Pensions Solutions range have a unitised with-profits option:

- Individual Personal Pension Plan
- Group Personal Pension Plan
- Contracted-in Money Purchase Plan
- Executive Pension Plan
- Trustee Investment Plan

There were no market value reductions applied in 2007.

These policies were sold between April 2001 and December 2002 although remain open to increments.

(2) Premiums on Reviewable Protection Policies

There were no changes to premiums on non-linked reviewable protection policies since the previous valuation date. The amount of the mathematical reserves at the valuation date was £0.6m.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

The linked policies that were previously in PLP are now in the Non Profit Fund and the changes in charges are disclosed in that section of the abstract.

(5) Benefit Charges on Linked Policies

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

(6) Accumulating With-Profits Charges

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

Annual maintenance expenses (net of policy fee where applicable), which changed from £28.03 to £30.15.

Charges apply to all accumulating with-profits business, except Lifestyle Bond. The mathematical reserves at the valuation date amount to £1,609m.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

M & G Securities Limited - Authorised Unit Trust

The Company receives a 1% discount on the cost of purchasing units in excess of £1,000. Policyholders do not benefit from this discount. There is no discount to the Company on the sale of units. The company does not receive any rebate of the annual management charge on its holdings in the unit trust.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used are as follows:

Gross Premium Method

Reserves for policies other than for those products included in the section "Accumulating With-Profits Policies" or where the gross mathematical reserves and gross annual premium do not exceed the lesser of £10m or 1% of the total gross mathematical reserves have been established using a prospective gross premium method applied to each policy.

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.

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.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

Product Group	Current Valuation	Previous Valuation
Valuation Interest Rates – Life		
With-Profits – Endowments	3.40%	3.50%
With-Profits – Other	3.10%	2.97%
With-Profits Bond	3.10%	2.97%
With-Profits Deferred Annuity		
- Regular Premium	3.90%	3.71%
- Single Premium/ Paid-Up Initial Rate	4.30%	4.40%
- Single Premium/ Paid-Up Reinvestment Rate	3.90%	3.71%
Non Profit – Endowments	3.70%	3.70%
Non Profit – Other	3.10%	2.97%
Non Profit Deferred Annuity	3.90%	3.98%
Annuities in Payment (new GAF)	4.20%	4.20%
Annuities in Payment (old GAF)	4.60%	4.70%
Valuation Interest Rates – Pension		
With-ProfitsDeferred Annuity		
- Regular	3.90%	3.71%
- Single Premium/ Paid-Up Initial Rate	4.30%	4.40%
- Single Premium/ Paid-Up Reinvestment Rate	3.90%	3.71%
Profit Plus Fund - accumulating units	3.90%	3.71%
- initial units	3.65%	3.46%
With-Profits Group Endowments	3.90%	3.71%
Other Assurances	3.90%	3.71%
Annuities in Payment	4.60%	4.70%
Non Profit Assurances	3.90%	3.71%
Non Profit Deferred Annuities	3.90%	3.98%
RPI Linked Deferred Annuities	0.70%	1.00%
RPI Linked Annuities in Payment	0.70%	1.00%

(3) Risk Adjustments

The yields on assets other than equity shares and land were reduced for risk as follows:

Fixed Interest

Approved Securities	No reduction
Other Securities	A deduction from the yield dependent on the credit rating of the security per the table below:

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%
CCC	Yield assumed to be nil

i.e. amended yield is y – d where y is the unadjusted yield

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

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

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread. This is a one off adjustment due to current market conditions and will not be repeated in future valuations unless similar conditions prevail.

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

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Endowment and Whole of Life	80.6% AM92 83.8% AF92	77% AM92 80% AF92
Term Assurances - aggregate	71.5%TM92 93.2% TF92	68.3%TM92 89% TF92
Term Assurances – non-smoker	66.0% TM92 77.4% TF92	63% TM92 74% TF92
Term Assurances – smoker	132.0% TM92 148.7% TF92	126% TM92 142% TF92
Pensions pre-vesting and pension term assurances	48.3% AM92 54.5% AF92	53.4% AM92 60.1% AF92
Life Annuities currently in Payment	Modified IM80 c2010 Modified IF80 c2010	Modified IM80 c2010 Modified IF80 c2010
Pension Deferred Annuities post vesting	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Pension Immediate Annuities	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020

Life annuities currently in payment

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	21.85	24.72	21.23	24.17
75	13.75	15.70	13.25	15.24

Pension annuities currently in payment

Specimen percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
At age 65	130.5%	124.2%	135.3%	127.8%
At age 75	78.0%	91.3%	80.5%	93.5%
At age 85	75.9%	92.9%	77.4%	94.1%
At age 95	77.7%	94.4%	78.5%	95.1%

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

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

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

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

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

Deferred pension contracts (post vesting) including guaranteed annuity options.

Sample percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
At age 55	486.5%	450.3%	523.1%	482.1%
At age 65	130.5%	124.2%	141.7%	133.9%
At age 75	78.0%	91.3%	84.4%	98.0%
At age 85	75.9%	92.9%	81.0%	98.6%
At age 95	77.7%	94.4%	82.2%	99.6%

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

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

Females	2008	2018	2028	2038	2048	2058
55	2.20%	1.72%	1.80%	1.80%	1.77%	1.47%
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 for are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
45	29.63	30.15	27.81	28.24
55	27.60	28.37	26.07	26.77

(5) Morbidity Basis

Not applicable

(6) Expense Basis

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Annuity (400)	16.24	14.31
All other policies	34.44	30.44

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at 7.3% p.a.

(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	Current year	Current year +1	Current year +2
UWP Bond (pre August 2000)	0.50%	0.08%	0.00%
UWP Bond (post August 2000)	1.00%	0.17%	0.00%
Lifestyle Bond	1.00%	0.17%	0.00%
Profit Plus Fund	0.10%	0.00%	0.00%
UWP Pensions	1.00%	0.17%	0.00%

and for the UK With Profits Bonds (pre 1997) the rates are:

Tranche	Current year	Current year +1	Current year +2
1	3.75%	2.00%	0.00%
2a	4.00%	2.00%	0.00%
2b	3.75%	1.75%	0.00%
3a	2.75%	0.75%	0.00%
3b	3.00%	1.00%	0.00%
4	3.25%	2.00%	0.00%
5	2.25%	0.25%	0.00%
6	1.50%	0.00%	0.00%
6a	2.00%	0.00%	0.00%
7	2.75%	0.75%	0.00%
8	3.00%	1.00%	0.00%
8a	3.50%	2.00%	0.00%
8b	1.50%	0.00%	0.00%
9	2.50%	1.50%	0.00%
10	1.50%	0.00%	0.00%

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

Not applicable

(11) Allowance for Derivatives

The fund 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.

A provision has been established equal to the time value of the swaptions, which are held in connection with guaranteed annuity options.

(12) Effect on Reserves of Changes in INSPRU Valuation Rules

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:

  30% for Convent Scheme contracts
  95% for Retirement Plans and Personal Retirement Policies (post 1978)

- The expenses of payment are 2.6% of the value of the annuity.

For Personal Retirement Policies issued between 1971 and 1978, where the policy only provides for a proportion of the benefit to be taken on guaranteed terms, the assumed proportion is in accordance with the policy conditions.

The liability is then increased, if necessary, so that it is not less than the economic value of the options determined from swaption prices assuming the same demographic assumptions. At the valuation date no increase was required.

(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	(viii) Retirement Ages
Personal Retirement Plan (Pre 1978)	27.7	0 to 26	13.7	10.74%	No	Level – Single Life Twice annually in arrears No guarantee period	60 to 75
Personal Retirement Plan (Post 1978)	191.2	0 to 40	107.1	9.00%	No	Level – Single Life Annually in arrears No guarantee period	60 to 75
Personal Retirement Plan (Post 1988)	75.6	0 to 46	39.4	9.00%	No	Level – Single Life Annually in arrears No guarantee period	50 (*) to 75
Personal Retirement Plan (Eire)	22.3	0 to 33	13.3	9.25%	No	Level – Single Life Monthly in advance Five year guarantee period	50 to 75
Retirement Plan	193.4	0 to 34	134.3	11.11%	No	Level – Single Life Monthly in advance Five year guarantee period	50 (*) to 75
Convent Schemes	12.8	0 to 24	2.1	10.04%	Yes (**)	Level – Single Life Monthly in advance No guarantee period	60 to 70
Philips Scheme	8.3	0 to 33	4.7	10.00%	Yes (**)	Level – Single Life Monthly in advance Five year guarantee period	60 to 65

(b)

(*)From age 55 for retirements from 2010. (**) There is no guaranteed annuity rate for increments.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Uniflex

(a) For Uniflex policies (endowment-type policies maturing at age 65, included in Endowment assurance in Form 51) the basis for calculating surrender values on the 10th or any subsequent anniversary of the commencement of the policy is guaranteed.

The guaranteed surrender value available at the 10th or any subsequent policy anniversary is

[Basic Sum Assured + Reversionary Bonus] x t / n

where t = duration at the policy anniversary (in years)
n = original policy term (in years)

(b)

(i) Product Name	Uniflex Endowment
(ii) Basic Reserve	£24.8m
(iii) Spread of Outstanding Durations	0-31 years
(iv) Guarantee Reserve	£3.1m
(v) Guaranteed Amount	£27.9m
(vi) MVR Free Conditions	MVRs do not apply
(vii) In Force Premiums	£0.6m
(viii) Increments	No

UWP Bond

(a) Market value reductions are not applicable on encashment or partial surrender on the 10th policy anniversary for UWP Bonds commencing between September 1997 and July 2000. There is a "money back" guarantee on full surrender on the 10th policy anniversary for bonds commencing from August 2000 onwards.

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)

(i) Product Name	UWP Bond Version 2	UWP Bond Version 3
(ii) Basic Reserve	£175.0m	£435.1m
(iii) Spread of Outstanding Durations	0 – 1 years for guarantee	1 – 3 years for guarantee
(iv) Guarantee Reserve	£17.3m	£64.4m
(v) Guaranteed Amount	£193.9m	£519.8m
(vi) MVR Free Conditions	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	No	No

(i) Product Name	UWP Bond Version 4	Lifestyle Bond
(ii) Basic Reserve	£124.5m	£98.3m
(iii) Spread of Outstanding Durations	3 – 5 years for guarantee	4 – 5 years for guarantee
(iv) Guarantee Reserve	£0.0m	£0.0m
(v) Guaranteed Amount	£141.9m	£98.3m
(vi) MVR Free Conditions	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	Yes	Yes

Personal Retirement Policy / Personal Retirement Plan

(a) Policyholders may elect to retire at ages other than the retirement age selected at outset, on a guaranteed cash option basis, which varies with the actual retirement age. The ages that can be selected depends on the product.

(b)

(i) Product Name	Personal Retirement Policy (Pre 1978)	Personal Retirement Policy (Post 1978)	Personal Retirement Plan (Post 1988)
(ii) Basic Reserve (*)	£41.4m	£298.3m	£115.0m
(iii) Spread of Outstanding Durations	0 – 26 years	0 – 40 years	0 – 46 years
(iv) Guarantee Reserve (**)	£0.0m	£0.0m	£0.0m
(v) Guaranteed Amount	N/A	N/A	N/A
(vi) MVR Free Conditions	N/A	N/A	N/A
(vii) In Force Premiums	£0.1m	£2.0m	£1.4m
(viii) Increments	No	No	No

(*) The basic reserve above includes the guaranteed annuity reserve.
(**) The reserves established exceed the value of the liabilities if an alternative retirement date is selected.

Unitised With-Profits Pensions

The following products within the unitised with-profits pensions range have a unitised with-profits option:

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

(a) Provided certain conditions apply, the policyholder can elect to take early retirement before the selected retirement age without penalty.

(b)

(i) Product Name	**UWP Pensions**
(ii) Basic Reserve	£96.0m
(iii) Spread of Outstanding Durations	0 – 42 years
(iv) Guarantee Reserve	£0.5m
(v) Guaranteed Amount	£95.3m
(vi) MVR Free Conditions	MVRs do not apply on retirement within 3 years of the selected retirement date, provided there has been a regular investment in the UWP Fund for at least 5 years, on death and ill health early
(vii) In Force Premiums	£2.4m
(viii) Increments	Yes – existing policies and new members to existing plans in the case of group schemes

(3) Guaranteed Insurability Options

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

Some of the term assurance policies include options to convert to other policies without requiring further evidence of heath. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

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

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	7.0	0.0	16.1	2.0	25.1
All expenses attributable	7.0	0.0	16.1	n/a	23.1
Total	7.0	0.0	16.1	2.0	25.1

(2) Implicit Allowances

The implicit allowance has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

Of the aggregate amount in paragraph 6 (1), £23.1m would be reported on line 14 of Form 43. The balance of the aggregate amount in paragraph 6 (1) would be reported on line 15 of Form 43. The table below shows the difference.

	F43.14	table 6(1)	ratio
Homogeneous risk group	**(a) £m**	**(b) £m**	**(a)/(b)**
All products	32.7	23.1	142%
Total	32.7	23.1	142%

The amount reported on line 14 of Form 43 is £32.7m. This includes £8.8m of investment transaction costs. Excluding these transaction costs, leaves £23.9m which is not significantly different from the £23.1m quoted above. The valuation assumes that the yields on the assets are net of transaction costs so it is not necessary to reserve for them explicitly.

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

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

An allowance has been made for redundancy costs in respect of redundancies following compensation review exercises. The company is not liable for redundancy costs in general due to its outsourcing arrangement with Resolution Management Services.

(6) Non-attributable Expense Reserves

A reserve of £0.6m has been established to cover the expected costs of the mortgage endowment review.

A reserve of £1.1m has been established to cover the expected costs relating to the calculation and payment of compensation relating to guaranteed annuity option claims.

A reserve of £1.5m has been established to cover the expenses expected to be incurred in making additional payments on certain pension policies where the claim amounts previously paid were incorrect.

A reserve of £1.2m has been established to cover the expected costs relating to certain projects of a non-recurring nature that are not covered by the standard management services agreement fee.

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	Backed by assets
	£m	£m
Sterling (£)	5,490.2	5,490.2
Other currencies	107.2	107.2
Total	5,597.4	5,597.4

(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)

Not applicable

(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

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

Description	Reserve
	£m
Data Contingency Reserve	20.0
Litigation Reserve	15.0
Claims Reserves for certain pensions policies	30.0

Details of the other special reserves are set out below.

Data Contingency Reserve

Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

Litigation Reserve

Reserves for future litigation settlements and other similar costs, which is calculated having regard to past experience.

Claims Reserves for certain pension policies

Reserves for the cost of making additional payments on certain pension policies where the claim amounts previously paid were incorrect.

9. REINSURANCE

(1) Facultative Treaties

(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.

(d) **Munich Re**

(e) Certain term assurances are 100% reinsured on original terms.

(f) The premiums payable by the insurer during the year are £23.9m.

(g) There are no deposit back arrangements.

(h) The treaty is closed to new business.

(i) There are no undischarged obligations.

(j) The amount of mathematical reserves ceded under the treaty at the valuation date was £108.3m.

(k) New business only arises from incremental policies or the exercising of options under existing contracts. Where such business is unit-linked then all of the business is reinsured and the Company's retention is nil.

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The reinsurer is not a connected company of the insurer.

(n) No provision has been established for credit risk for any reassurances with other companies in the Resolution group. The company has provided £4.2m in respect of credit and legal risk under its other reinsurance treaties.

(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) The treaty is not a financing arrangement.

10. REVERSIONARY (OR ANNUAL) BONUS

For policies entitled to participate, reversionary bonuses (except when otherwise specified) were allotted at the following rates.

(i) Conventional With-Profits Policies

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
UK Life (excluding Uniflex)	1,725.3	0.25 / 0.25	0.25 / 0.25	0
Uniflex Endowment Assurances	27.9	0.20 / 0.20	0.20 / 0.20	0
Convent Schemes	14.9	0.20 / 0.20	0.20 / 0.20	0
Eire Life	16.5	0.25 / 0.25	0.25 / 0.25	0
UK Pensions	715.6	0.20 / 0.20	0.20 / 0.20	0
Eire Pensions	41.1	0.20 / 0.20	0.20 / 0.20	0

(*) The first rate applies to the sum assured and the second rate to the attaching bonus.

(ii) Accumulating With-Profits Policies (except With Profit Bonds)

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
UWP Pensions	96.0	1.00	1.00	0.00
Profit Plus Fund	422.3	0.10	0.10	0.00
PlusPlan	162.6	0.10	0.10	0.00

(iii) UK With Profits Bond (pre 1997)

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
1	5.8	3.75	5.75	3.75
2a	4.2	6.00	4.50	6.00
2b	0.6	5.75	4.50	5.75
3a	17.3	4.75	4.75	4.75
3b	1.0	5.00	5.00	5.00
4	11.9	3.25	4.25	3.25
5	4.6	4.25	3.50	4.25
6	2.0	2.75	3.25	2.75
6a	3.7	3.00	4.50	3.00
7	1.6	4.75	4.25	4.75
8	5.2	5.00	4.25	5.00
8a	5.9	3.50	5.25	3.50
8b	2.1	3.25	3.50	3.25
9	12.7	2.50	3.50	2.50
10	26.4	2.50	1.00	2.50
TOTAL	105.0			

(iv) Unitised With-Profits Bonds

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m			
2	191.7	0.50	0.50	0.50
3	492.3	0.50	0.50	0.50
4	124.7	1.00	1.00	1.00
Lifestyle	97.2	1.00	1.00	1.00
TOTAL	905.8			

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. Within a bonus series, bonus rates do not vary.

90% With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

No market value reductions have been applied during the period.

(2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration contracts.

(4) Service Charges on Linked Contracts

Not applicable

(5) Benefit Charges on Linked Contracts

Not applicable

(6) Accumulating With-Profits Charges

There are no accumulating with-profits policies in the fund.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

A net premium method has been used to value the business in the fund.

(2) Valuation Interest Rates

The interest rates used for business that was previously written in SLUK and BULA are:

Product Group	Current Valuation	Previous Valuation
Ex-SLUK Life	3.00%	3.10%
Ex-BULA Life	3.00%	3.00%
Pension	3.75%	3.75%

(3) Risk Adjustments

The yield on assets other than equity shares and land was reduced by a percentage of that yield as follows:

Fixed Interest:

Approved Securities — Nil

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

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%
CCC	Yield assumed to be nil

i.e. amended yield is y – d where y is the unadjusted yield

Variable Yield Approved Securities — Nil

All other assets producing income — Reduction of 0.5% of the yield i.e. amended yield is y x (1 – 0.5%) where y is the unadjusted yield

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread. This is a one off adjustment due to current market conditions and will not be repeated in future valuations unless similar conditions prevail.

The yield on equity shares and land was reduced by 2.5% of that yield in accordance with INSPRU 3.1.33(R).

(4) Mortality Basis

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Ex-SLUK OB	72% AM92 ult Females as above -3yrs	70% AM92 ult Females as above -3yrs
Ex-SLUK IB	28% ELT15(M) Females as above	35% ELT15(M) Females as above
Ex-BULA	99% AM92 ult 121% AF92 ult	100% AM92 ult +3yrs 100% AM92 ult +3yrs

Note that for all the above business, no additional mortality has been incorporated within the valuation and no separate reserve has been determined in respect of AIDS.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

(5) Morbidity Basis

There are no significant groups of products where morbidity assumptions are used.

(6) Expense Basis

Policies previously written in SLUK

For premium-paying policies, where a net premium valuation is performed, the net premium is restricted to 90% of the office premium. A zillmer adjustment of 3% is applied.

Policies previously written in BULA

The following table shows the zillmer adjustments for premium paying policies where the reserve was calculated using the net premium method of valuation:

Product Group	Current Valuation	Previous Valuation
	%	%
CWP savings endowment (120)	1.65%	1.65%

The zillmer adjustments on life business are netted down for tax at 20%.

(7) Unit Growth Rates And Expense Inflation

Unit growth rates are not applicable as there is no linked business.

All business is valued on a net premium basis so there are no expense inflation assumptions.

(8) Future Bonus Rates

With-profits business is not valued using a gross premium valuation method. There is no unitised with-profits business.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

There are no other material assumptions.

(11) Allowance for Derivatives

The fund does not hold any material derivatives.

(12) Effects 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

There are no significant groups of business with guaranteed annuity rate options.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

Not applicable

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
Policies previously written in SLUK	0.7	0.0	0.0	0.0	0.7
Policies previously written in BULA	0.4	0.0	0.0	0.0	0.4
All expenses attributable	1.1	0.0	0.0	n/a	1.1
Total	1.1	0.0	0.0	0.0	1.1

(2) Implicit Allowances

The implicit allowance for expenses is the difference between the office and net premiums for regular premium policies which are valued on a net premium basis.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in paragraph 6 (1) is significantly different from the total shown in line 14 of Form 43.

	F43.14	table 6(1)	ratio
Homogeneous risk group	(a) £m	(b) £m	(a)/(b)
Total	0.5	1.1	41%

The amounts shown in paragraph 6 (1) are implicit allowances which are unlikely to match the line 14 Form 43 expenses exactly. The implicit allowances are larger than the line 14 Form 43 expenses so enough to cover the actual expenses.

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

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

Redundancy costs and costs of terminating management services agreements have not been taken into account.

(6) Non-attributable expenses

All expenses are attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency	Mathematical Reserves	Backed by assets
	£m	£m
Sterling (£)	119.3	119.3
Other currencies	0.5	0.5
Total	119.8	119.8

(2) Other Currency Exposures

Liabilities totalling £0.517m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

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

Not applicable

(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)

An annual exercise is conducted to review the suitability by size and term of the assets backing the business. Business is projected on appropriate assumptions that include allowance for voluntary discontinuance.

The fund can invest in equities and property as well as fixed interest. The suitability of the duration of fixed interest assets is reviewed by considering projections of liabilities that both include and exclude future bonus. These assets are then managed according to a performance benchmark that reflects the required duration of the liabilities. In this fund, all investments are sufficiently marketable that they could normally be realised for at least 99% of market quotation within seven days. The fund does not normally hold investments that are not available to be traded.

Cashflow mismatching and reinvestment risk are therefore not significant. In view of this, no additional reserves for cashflow mismatching are regarded as appropriate.

8. OTHER SPECIAL RESERVES

There are no special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative Treaties

(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

There are no significant reinsurance treaties in force in the 90% With-Profits Fund.

10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

Bonus Series	Math reserves £m	Reversionary Bonus Rate for Current Year %	Reversionary Bonus Rate for Previous year %	Total g'tee bonus for current year %
Ex-SLUK OB				
Series A	15.1	1.70%	1.20%	0.00%
Series B*	38.8	1.30%	0.80%	0.00%
Series C*	2.9	1.30%	0.80%	0.00%
Ex-SLUK IB				
Pioneer Mutual	0.4	9.00%	7.00%	0.00%
Stamford cash bonus	0.7	2.25%	1.75%	0.00%
Other	4.7	4.50%	3.50%	0.00%
Ex-BULA				
Life	42.7	2.50/3.50%	2.00/3.00%	0.00%
Pensions	2.0	3.25%/3.25%	2.75%/2.75%	0.00%

The above bonus rates apply to the basic sum assured (or annuity only) except where marked (*) in which case the rates apply to both the sum assured and attaching bonus.

100% With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Unitised With-Profits Group Pension Policies

The contract is reassurance accepted from Phoenix & London Assurance Limited and has the option to apply a market value reduction.

No market value reduction will be applied on normal claims arising under unitised with-profits group pension policies. However, the Company reserves the right to apply a market value reduction in the case of full or partial discontinuities or special benefit enhancements.

No market value reductions applied in the valuation year for premiums received before the start of the valuation year.

Market value reductions applied in the valuation year to premiums received in the year as follows:

	Market Value Reduction			
Date of Commencement in quarter starting	From 1 January to 31 March	From 1 April to 30 June	From 1 July to 30 September	From 1 October to 31 December
1 January	None	1%	1%	1%
1 April	n/a	None	1%	1%
1 July	n/a	n/a	None	None
1 October	n/a	n/a	n/a	None

(2) Premiums on Reviewable Protection Policies

Not applicable

(3) Non-profit Deposit Administration

Not applicable

(4) Service Charges on Linked Policies

Not applicable

(5) Benefit Charges on Linked Policies

Not applicable

(6) Accumulating With-Profits Charges

There were no changes to charges applied to accumulating with-profits policies.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

A net premium valuation has been used for conventional with-profits policies.

For unitised with-profits group pensions the reserves have been calculated as the greater of:

(i) the discounted value of the guaranteed benefits and, to the extent that their addition increases guaranteed benefits, future reversionary bonus rates consistent with policyholders reasonable expectations as to level and rate of change in the context of the valuation assumptions; and

(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 representation of the Company, and;

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

An additional reserve equal to three months' administration charges is also held for ex-PAL Group Unitised With-Profits pensions.

(2) Valuation Interest rates

Policies previously written in PAL

The interest rates used for business that was previously written in PAL were as follows:

Product Group	Current Valuation	Previous Valuation
With Profit Assurances	3.00%	3.05%
Unitised With Profits	3.75%	3.85%

Policies previously written in SLUK

The interest rates used for business that was previously written in SLUK were as follows:

Product Group	Current Valuation	Previous Valuation
Whole Life and Endowment	3.00%	3.05%

(3) Risk Adjustments

The yield on assets other than equity shares and land was reduced in accordance with INSPRU 3.1.41(R) as follows:

Fixed Interest:

Approved Securities — Nil

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

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%
CCC	Yield assumed to be nil

i.e. amended yield is y – d where y is the unadjusted yield

Variable Yield Approved Securities — Nil

All other assets producing income — Reduction of 0.5% (r) of the yield i.e. amended yield is y x (1 – r) where y is the unadjusted yield

The credit ratings for individual bonds have been reduced further to reflect a concern that rating agencies are slow to react to changes in credit worthiness. The reduced credit ratings have been produced to reflect a market view of credit rating based on the bond spread. This is a one off adjustment due to current market conditions and will not be repeated in future valuations unless similar conditions prevail.

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

(4) Mortality Basis

Policies originally written in PAL (including those policies reassured from PALAL)

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Whole Life and Endowment	86% AM92 112% AF92	82% AM92 107.1% AF92

Policies originally written in SLUK

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Whole Life and Endowment	77% AM92 ult 77% AF92 ult	70% AM92 ult 70% AF92 ult
Deferred Annuities	82.5% IMA92 82.5% IFA92	100% IMA92 100% IFA92

Allowance for Disease

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company.

No explicit allowance is made for AIDS.

(5) Morbidity Basis

Not applicable

(6) Expense Basis

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
CWP savings endowment (product code 120)	55.41	30.44
UWP regular premium pension (525 / 545)	0.00	0.00
UWP single premium pension (525 / 545)	0.00	0.00
UWP group regular premium pension (535)	0.00	0.00
UWP group single premium pension (535)	0.00	0.00

The expenses on life business are netted down for tax at 20%.

For product code 535, an additional reserve of £0.003m is included to cover administration expenses for this business.

For product codes 525 and 545, these policies are written in the Non Profit Fund, with the liability for the unitised with-profits investment element transferred to the 100% With-Profits Fund. All expenses are met by the Non Profit Fund.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at:

	Current Valuation	Previous Valuation
Policies originally written in PAL	8.30%	7.10%
Policies originally written in SLUK	7.00%	5.80%

(8) Future Bonus Rates

For the unitised with-profits group pensions contract the assumed future bonus rate for the year following the valuation date is:

	Current Valuation	Previous Valuation
UWP Group Pensions	1.00%	0.17%

Assumed future bonus rates are 0% for all other business.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

There are no other material basis assumptions.

(11) Allowance for Derivatives

Not applicable

(12) Effects 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

Not applicable

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

For ex-SLUK unitised with-profits pension policies, there is a guarantee that the unit price will increase at not less than 4%p.a. An additional reserve of £6.957m has been established to meet the expected future cost of this guarantee. This has been calculated as the additional reserve required to fund the amount by which the guaranteed unit growth rate, together with the management charge, exceeds the valuation interest rate.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	0.3	0.0	0.2	0.0	0.5
All expenses attributable	0.3	0.0	0.2	n/a	0.5
Total	0.3	0.0	0.2	0.0	0.5

(2) Implicit Allowances

Implicit allowances for expenses include the difference between office and net premiums for regular premium policies which are valued on a net premium basis.

The implicit allowance for investment expenses has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in paragraph 6 (1) is not significantly different from the total shown in line 14 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 paragraph 6 (1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

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

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

(6) Non-attributable expenses

All expenses are attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency	Mathematical Reserves	Backed by assets
	£m	£m
Sterling (£)	111.4	111.4
Other currencies	0.0	0.0
Total	111.4	111.4

(2) Other Currency Exposures

There are no liabilities in other currencies.

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

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

Not applicable

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

There are no significant territories outside the United Kingdom.

(6) Resilience Capital Requirement

Not applicable

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

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

8. OTHER SPECIAL RESERVES

No further additional reserves exceed the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative Treaties

(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

Not applicable

10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

Bonus Series	Math reserves £m	Reversionary Bonus Rate for Current Year %	Reversionary Bonus Rate for Previous year %	Total g'tee bonus for current year %
Life Assurance* (SLUK)	1.8	3.0	3.0	0.0
Deferred Annuity* (SLUK)	0.1	5.0	4.5	0.0
PWPF units* (SLUK)	46.7	0.0	0.0	0.0
Whole life & Endowment** (PAL)	25.1	5.0 / 8.0	5.0 / 8.0	0.0
Group UWP Pensions (PAL)	35.2	1.0	1.0	0.0

The above bonus rates, where marked (*), apply to both the sum assured and attaching bonus. For bonus series marked (**) the first rate applies to the sum assured and the second rate applies to the attaching bonus.

For unitised with-profits policies, the reversionary bonus is added daily in the form of growth of the unit price.

Non Profit Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable

(2) Premiums on Reviewable Protection Policies

The following table shows the changes to premiums on non-linked reviewable protection policies since the previous valuation date.

Previous Company	Product	No of Policies	Annual Premium (£000s)	Range of increase From (%)	To (%)
BULA	Mortgage Cover Plan	986	357	-6%	20%
	Total Cover Plan	925	349	-12%	94%
	Instant Health Cover	19	15	6%	12%

The following table shows the reviewable protection policies where there were no changes to premiums since the previous valuation.

Previous Company	Product	No of policies	Annual premium in force (£000s)
PLL	Progressive Protection Plan	8,843	22,233
	Flexible Mortgage Plan	2,644	697
Century	Ex-NAL Critical Illness Plan	13,385	3424
BULA	Life Cover Plan	351	118
BA	Decreasing term assurance	846	233
	Level Term assurance with critical illness	570	102
	Critical illness	1,736	379
	Pensions term assurance	6,745	1,086

(3) Non-profit deposit administration contracts

Policies previously written in PAL

The Pension Plan for the Self-Employed (PPSE) is a deferred annuity contract approved under section 226 of the Income and Corporation Taxes Act 1970.

The Executive Pension Plan (EPP) is designed for treatment as an exempt approved scheme as defined in the Finance Act 1970.

The Voluntary Pension Plan (VPP) provides additional benefits at retirement for members of approved company pension schemes through voluntary contributions of the member.

Under these contracts premiums for retirement benefits are paid into a Pension Account, interest being declared monthly in advance and compounded annually.

The interest rates applied during the valuation year were as follows:

Month	**Interest Rate %p.a.**
January	5.36%
February	5.38%
March	5.48%
April	5.48%
May	5.48%
June	5.48%
July	5.73%
August	5.73%
September	5.73%
October	5.73%
November	5.78%
December	5.86%

Policies previously written in SLUK

The rates of interest credited to accounts at the valuation date are given in the table below:

	Deposit Administration – Standard	Deposit Administration – Dollar Policies	
Account year	Interest per £1,000	Interest per £1,000	Interest per £1,000
		Series 1	Series 2
1982	128.50	-	-
1983	121.50	-	-
1984	120.50	-	-
1985	121.00	-	-
1986	118.00	90.00	80.00
1987	113.50	90.00	80.00
1988	113.50	90.00	80.00
1989	114.00	90.00	80.00
1990	110.00	90.00	80.00
1991	110.00	90.00	80.00
1992	100.00	90.00	80.00
1993	70.00	90.00	80.00
1994	75.00	56.30	80.00
1995	70.00	52.50	80.00
1996	70.00	46.00	46.00
1997	65.00	46.00	46.00
1998	50.00	36.00	36.00
1999	45.00	38.00	38.00
2000	45.00	38.00	38.00
2001	45.00	36.00	36.00
2002	45.00	36.00	36.00
2003	40.00	32.00	32.00
2004	43.00	34.40	34.40
2005	38.00	30.40	30.40
2006	41.00	32.80	32.80
2007	43.00	34.40	34.40

Policies previously written in Alba

There are no deposit administration policies in force.

Policies previously written in Century

Non profit Deposit Administration

This is a group deposit administration policy approved under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the account accumulates with credited interest additions which are the greater of:

a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%; and

b) A basic credited rate increased by 1.5%.

For paid-up policies, the credited rate is reduced by 2% and the addition and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are as follows:

Month	Interest Rate %p.a.
January	4.00%
February	3.75%
March	3.63%
April	3.50%
May	3.25%
June	3.13%
July	3.00%
August	3.00%
September	3.00%
October	3.00%
November	3.00%
December	3.13%

<u>The Pensions 2000 Range (First Series)</u>

This range consists of four varieties of one underlying group contract capable of exempt approval under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the interest additions made to the accounts are the greater of:

(a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy. The guaranteed rate is increased for schemes where the level of annual premium exceeds certain thresholds. These thresholds vary according to the year in which the policy was effected, and are increased from year to year in line with the increase in the Retail Price Index over the period between commencement and renewal dates; and

(b) A credited rate. This rate is increased as described above.

For paid-up policies the credited rate is reduced by 2% and the threshold increases and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are as follows:

Month	Interest Rate %p.a.
January	4.00%
February	3.75%
March	3.63%
April	3.50%
May	3.25%
June	3.13%
July	3.00%
August	3.00%
September	3.00%
October	3.00%
November	3.00%
December	3.13%

For pooled funded arrangements the base thresholds (i.e. before increasing in line with the Retail Price Index) are generally as follows:

Annual premium	Additional Interest
£4,999 or less	Nil
£5,000 to £9,999	0.50%
£10,000 to £49,999	1.00%
£50,000 or over	1.50%

For the money purchase arrangements additional interest is credited at the following rates:

Annual premium	Additional Interest
£9,999 or less	Nil
£10,000 to £49,999	0.50%
£50,000 or over	1.00%

This scale of thresholds applies to each of the first five policy years of a scheme. In subsequent years the threshold levels are indexed in line with the Retail Price Index.

Century Group Deposit Administration

These are group pension contracts designed to secure approval under Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after provision for administration charges and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. There are also guaranteed deferred and immediate annuity rates for the conversion of funds into annuities. Separate life assurance and widows reversionary annuities may be included on a non-profit basis.

Century Personal Pension Plans - pre April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money

Pension Fund. Separate life assurance may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Personal Pension Plans - post April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Separate life assurance may be included on a non-profit basis. Dividends are guaranteed to be not less than 4% per annum (1% per annum on Initial Premiums). There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Capital Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first year of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There remains an absolute guarantee that bonuses will average at least 4.5% and 1.5% per annum. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Executive Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years' of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Policies previously written in BULA

There are no deposit administration policies in force.

Policies previously written in BRS

There are no deposit administration policies in force.

Policies previously written in BA

There are no deposit administration policies in force.

(4) Service Charges on Linked Policies

Policies previously written in PLL

The following PLL products changed their service charges:

Product	Existing Policy Charge	New Policy Charge from 1 April 2007	Percentage Increase
	£	£	
Plus Plan for schemes commencing before 1 July 1988	19.50	20.50	5.13%
Plus Plan for schemes commencing after 30 June 1988	47.50	50.00	5.26%

Product	Existing Policy Charge	New Policy Charge from 1 January 2007	Percentage Increase
	£	£	
Living Pensions Personal Pensions	2.75	2.85	3.64%
Universal Protection Plan	3.05	3.15	3.28%

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

Contribution Type	Existing Policy Charge	New Policy Charge from 1 January 2007	Percentage Increase
	£	£	
Regular premium and increments	0.00	0.00	n/a
Paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan)	1.75	1.80	2.86%
Paid-up policies and policies on premium holidays for Group Personal Pension Plan	0.00	0.00	n/a
Single premium stand alone contracts issued before 16 October 1995	4.90	5.10	4.08%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	1.95	2.05	5.13%
Single premium stand alone contracts issued between 21 September 1998 and 9 April 2000	3.55	3.70	4.23%
Single premium stand alone contracts issued after 9 April 2000	3.15	3.25	3.17%

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

Contribution Type	Existing Policy Charge	New Policy Charge from 1 January 2007	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%
Regular premium increments	0.00	0.00	n/a
Paid-up policies and policies on premium holidays	1.75	1.80	2.86%
Single premium stand alone contracts issued before 16 October 1995	4.90	5.10	4.08%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	1.95	2.05	5.13%
Single premium stand alone contracts issued between 21st September 1998 and 9 April 2000	3.55	3.70	4.23%
Single premium stand alone contracts issued after 9 April 2000	3.15	3.25	3.17%
Transfer Values	0.00	0.00	n/a

For Executive Pension Plan, the monthly policy charges changed as follows:

Contribution Type	Existing Policy Charge	New Policy Charge from 1 January 2007	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%
Regular premium increments	0.00	0.00	n/a
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%
Transfer Values	0.00	0.00	n/a

The following contracts have a monthly policy fee that depends upon the 1974 based RPI. These charges have been increased in the year to the valuation date in accordance with increases in RPI. No other increases in charges have occurred.

Product	Monthly Policy Charge
RPI Index applied at the valuation date	**209.70**
Lifestyle Plan	£(1/12 x 3.333 x RPI)
Personal Capital Builder (Series I)	0.67p x RPI for annual premium policies 1.00p x RPI for monthly premium policies 0.125p x RPI for paid-up or single premium policies
Personal Capital Builder (Series III)	0.50p x RPI for annual premium policies 0.75p x RPI for monthly premium policies 0.125p x RPI for paid-up or single premium policies
Executive Capital Builder (Series I and III)	2.50p x RPI for annual premium policies 4.17p x RPI for monthly premium policies 0.33p x RPI for paid-up or single premium policies
Additional Capital Builder (Series I)	2.00p x RPI for annual premium policies 3.00p x RPI for monthly premium policies 0.50p x RPI for paid-up or single premium policies
Additional Capital Builder (Series II)	3.50p x RPI for annual premium policies 4.50p x RPI for monthly premium policies 2.00p x RPI for paid-up or single premium policies
Multiple Investment Plan (Version I)	0.05 x RPI (0.05 x RPI / 12) charge on annual (monthly) premiums below £2000 (£200)

The following contracts have a monthly policy fee that depends upon the 1987 based RPI. These charges have been increased in the year to the valuation date in accordance with increases in RPI. No other increases in charges have occurred.

Product	Monthly Policy Charge
RPI Index applied at the valuation date	**209.70**
Executive Capital Builder (Series IV)	5.00p x RPI for annual premium policies 6.00p x RPI for monthly premium policies 1.00p x RPI for paid up policies 0.80p x RPI single premium policies
Trustee Capital Builder (Series 1 and III)	1.45p x RPI
Personal Pension Builder	2.00p x RPI for annual premium policies 2.00p x RPI for monthly premium policies 1.00p x RPI for paid up policies 0.50p x RPI single premium policies
Multiple Investment Plan (Version II, III and IV) issued before April 1989	0.05 x RPI charge on annual premiums below £2000 0.05 x RPI/12 charge on monthly premiums below £200
Multiple Investment Plan (Version II, III and IV) issued after April 1989	0.20 x RPI charge on annual premiums below £2000 0.20 x RPI/12 charge on monthly premiums below £200

Policies previously written in Alba

The following changes to service charges on Alba products were effected on 1 April 2007

Product name	Existing policy fee	New policy fee from 1 April 2007	Percentage increase
	£	£	
Policies arising from BLA			
Mortgage Minder	1.68	1.75	4.17%
Universal Whole Life	3.75	3.89	3.73%
Unit Linked Personal Pensions Groups of Personal Pension Executive Pensions	3.35	3.48	3.88%
Policies arising from BLAS			
Whole Life – Flexible Life Plan	2.65	2.75	3.77%
Critical Illness Plan	3.70	3.85	4.05%
Homeplan Plus - first series	4.55	4.75	4.40%
Homeplan Plus - second series	3.70	3.85	4.05%
Income Replacement Plan	2.93	3.05	3.95%
Pensions Contracts – Individual & Group			
- original series	4.10	4.25	3.66%
- premiums < £30 (p.m.) £300 (p.a.)	6.15	6.40	4.07%
- rebate only	2.80	2.90	3.57%
- Generation Pensions	3.70	3.85	4.05%
Post 1995 Pension Contracts – Individual & Group			
- fewer than 10 members	3.35	3.48	3.96%
- 10 or more members	2.00	2.08	3.83%

Policies previously written in Century

The following table shows the changes to service charges for premium paying linked Century policies since the previous investigation.

Original Company	Product or Business	Previous Year	Current Year	% Increase
NBA	Pension Individual Accounts	£117.00	£122.64	4.82%
Sentinel	Level premiums	£27.84	£28.92	3.88%
Sentinel	Increasing premiums	£44.52	£46.32	4.04%
UK Life	Pensions	£44.52	£46.32	4.04%
UK Life	Life	£22.32	£23.16	3.76%
CCL	Life	£42.60	£44.40	4.23%
CCL	Individual Pension	£58.20	£60.00	3.09%
CCL	Group Pension	£69.60	£72.60	4.31%
Shield	Series 2	£36.00	£37.20	3.33%
Shield	Appropriate Personal Pension Scheme	£51.60	£53.40	3.49%
Shield	Other	£31.20	£32.40	3.85%
Prosperity	Flexible Protection Plan	£38.95	£40.47	3.90%
Prosperity	Serious Illness Plan	£38.95	£40.47	3.90%
Prosperity	Flexible Mortgage Plan	£38.95	£40.47	3.90%
Prosperity	Flexible Investment Plan	£31.56	£32.88	4.18%
Prosperity	Capital Investment Bond	£0.00	£0.00	0.00%
Prosperity	Capital Preservation Plan	£0.00	£0.00	0.00%
Prosperity	Regular Premium Pensions	£50.28	£52.32	4.06%
Prosperity	Pension Transfer Plan	£0.00	£0.00	0.00%
Hiscox	All	£25.33	£26.32	3.90%
OMLA	Total Investment Bonds	£55.78	£57.83	3.67%
OMLA	Family Portfolio	£36.00	£36.00	0.00%
OMLA	Pensions 88	£48.53	£50.31	3.67%
OMLA	Pensions 91	£60.91	£63.14	3.67%
OMLA	Ex Target Pension Plans	£43.83	£45.44	3.67%
OMLA	Ex Target Homeloan	£26.18	£27.15	3.67%
OMLA	Ex Target 5 Plus Plan	£17.22	£17.85	3.67%
OMLA	Independent Pension Plans	£113.13	£117.29	3.67%
OMLA	Post 94 Executive Life & Select Life	£46.11	£47.80	3.67%
OMLA	Pensions 93	£80.83	£83.80	3.67%
OMLA	Pensions 95	£38.42	£39.83	3.67%
NAL	Personal Pension Plan	£41.63	£42.65	2.43%
NAL	Additional Pension Plan	£41.63	£42.65	2.43%

The following table shows the changes to service charges for single premium or paid up linked Century policies since the previous investigation.

Original Company	Product or Business	Previous Year	Current Year	% Increase
NBA	Pension Individual Accounts	£58.50	£61.32	4.82%
Sentinel	Level premiums	£27.84	£28.92	3.88%
Sentinel	Increasing premiums	£44.52	£46.32	4.04%
UK Life	Pensions	£22.26	£23.16	4.04%
UK Life	Life	£11.16	£11.58	3.76%
CCL	Life	£42.60	£44.40	4.23%
CCL	Individual Pension	£58.20	£60.00	3.09%
CCL	Group Pension	£69.60	£72.60	4.31%
Shield	Series 2	£36.00	£37.20	3.33%
Shield	Appropriate Personal Pension Scheme	£51.60	£53.40	3.49%
Shield	Other	£31.20	£32.40	3.85%
Prosperity	Flexible Protection Plan	£18.73	£19.46	3.90%
Prosperity	Serious Illness Plan	£18.73	£19.46	3.90%
Prosperity	Flexible Mortgage Plan	£18.73	£19.46	3.90%
Prosperity	Flexible Investment Plan	£18.73	£19.46	3.90%
Prosperity	Capital Investment Bond	£28.01	£29.10	3.90%
Prosperity	Capital Preservation Plan	£28.01	£29.10	3.90%
Prosperity	Regular Premium Pensions	£0.00	£0.00	0.00%
Prosperity	Pension Transfer Plan	£42.12	£43.80	3.99%
Hiscox	All	£25.33	£26.32	3.90%
OMLA	Total Investment Bonds	£55.78	£57.83	3.67%
OMLA	Family Portfolio	£36.00	£36.00	0.00%
OMLA	Pensions 88	£48.53	£50.31	3.67%
OMLA	Pensions 91	£60.91	£63.14	3.67%
OMLA	Ex Target Pension Plans	£43.83	£45.44	3.67%
OMLA	Ex Target Homeloan	£26.18	£27.15	3.67%
OMLA	Ex Target 5 Plus Plan	£17.22	£17.85	3.67%
OMLA	Independent Pension Plans	£113.13	£117.29	3.67%
OMLA	Post 94 Executive Life & Select Life	£46.11	£47.80	3.67%
OMLA	Pensions 93	£80.83	£83.80	3.67%
OMLA	Pensions 95	£38.42	£39.83	3.67%
NAL	Personal Pension Plan	£41.63	£42.65	2.43%
NAL	Additional Pension Plan	£41.63	£42.65	2.43%

Policies previously written in BULA

There are no linked policies with service charges.

Policies previously written in BRS

There are no linked policies with service charges.

Policies previously written in BA

There are no linked policies in force.

(5) Benefit Charges on Linked Policies

Policies previously written in BA

The mortality charges for the Capital Builder and Easy Build Mortgage products were changed during the valuation year. The old mortality charges were as follows:

Easy Build and Low Start Mortgage (EM)***		
	Previous rates	New rates
V1 Proposal Date before 4/4/94		
Male	100% A67/70 sel + AIDS table R6A	115% AM92
Female	100% A67/70 sel adjusted* with three year age deduction	125% AF92
V2 Proposal Date 4/4/94 to 21/12/94		
Male	115% AM80 sel + AIDS table R6A	115% AM92
Female	115% AF80 sel adjusted** + 33% AIDS table R6A	125% AF92
V3 Proposal Date after 21/12/94		
Non Smoker		
Male	100% AM80 sel + AIDS table R6A	100% AM92
Female	100% AM80 sel adjusted + 33%AIDS table R6A	108.5% AF92
Smoker		
Male	150% AM80 sel + AIDS table R6A	200% AM92
Female	150% AF80 sel adjusted**+ 33% AIDS table R6A	217% AF92
CapitalBuilder (CB)* **		
	Previous rates	New rates
V1Proposal Date before 4/4/94		
Male	117.5% AM80 sel + AIDS table R6A	115% AM92
Female	124% AF80 sel adjusted** + 25% AIDS table R6A	125% AF92
V2 Proposal Date after 3/4/94		
Male	115% AM80 sel + AIDS table R6A	115% AM92
Female	115% AF80 sel adjusted** + 33% AIDS table R6A	125% AF92

*adjusted to remove accident 'hump'
**adjusted such that qx = q35 for x < 35
***AIDS loading applied at 1/3 and 2/3 of ultimate rate for years 1 and 2

For the new rates both the current experience and the industry data which underlies the published CMI data will include AIDS experience, so there is no need to make an explicit allowance for AIDS in the rates.

The percentage impact is shown for a set of specimen ages where young are defined as 18 to 35, middle are 36 to 55 and old are 56 to 80. The table also includes the impact on policies which include critical illness benefits.

The average of the new deduction factors compared to the old factors for the specified age range.								
			smoker	non smoker	smoker	non smoker		
Males	**EM v1**	**EM v2**	**EM v3**	**EM v3**	**EM + CI**	**EM + CI**	**CB v1**	**CB v2**
Young	81%	84%	114%	83%	107%	90%	79%	84%
Middle	46%	60%	83%	58%	92%	78%	48%	60%
Older	70%	73%	98%	73%	103%	83%	71%	73%
Females	**EM v1**	**EM v2**	**EM v3**	**EM v3**	**EM + CI**	**EM + CI**	**CB v1**	**CB v2**
Young	55%	56%	75%	55%	86%	77%	51%	56%
Middle	79%	82%	111%	80%	103%	94%	71%	82%
Older	60%	84%	113%	84%	108%	91%	79%	84%

The amount of business affected by the change is shown below:

Easy Build and Low Start Mortgage (EM)	
Policies in force	515
Reserves	£2.6m
CapitalBuilder (CB)	
Policies in force	7,174
Reserves	£28.7m

There were no other changes to benefit charges on linked policies in the period.

(6) Accumulating With Profits Charges

Not applicable

(7) Unit Pricing of Internal Linked Funds

Policies previously written in RSALI and SLUK (First Annuity Fund)

(a) Method used for cancellation and creation of units

All units are allocated to policies at the offer price calculated at the first valuation subsequent to the decision to allocate units. For non-Group units the fund is credited with an amount equal to the number of units allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively).

For Group units the fund is credited with an amount equal to the number of units allocated multiplied by the offer price.

All units are de-allocated from policies at the bid price calculated at the first valuation subsequent to the decision to de-allocate units. For non-Group units the fund is debited with an amount equal to the number of units so de-allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively). For Group units the fund is debited with an amount equal to the number of units de-allocated multiplied by the bid price.

Method used to determine prices of non-Group units in internal linked funds (except units in the Old Building Society Fund)

Prices of non-Group units in internal linked funds are calculated periodically thus:

(i) The assets of the fund are valued at 8 a.m. on the valuation day using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund less any appropriate tax charge is credited to the fund. Allowance is made for accrued income less deductions for any tax charges, both actual and prospective and any other appropriate deductions permitted by policy conditions which includes investment management expenses for certain products.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on the current and recent trend and magnitude of unit transactions in the fund.

(ii) The value determined in (i) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

(iii) Except for the Lifestyle Bond fund series and the Pensions Solutions fund series (for the range of pension products launched on 6 April 2001), a fund management charge is deducted from the fund at the applicable rate. The fund value for charging purposes may or may not include dealing costs adjustments and certain tax adjustments depending on policy conditions.

(iv) The value of the fund thus determined divided by the number of units in issue represents the creation prices (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

(v) The offer price is calculated as the creation price or cancellation price, if the assets of the fund are valued on a creation basis and cancellation basis respectively, multiplied by A/B and rounded. The bid price is calculated as B% of the offer price and rounded, where:

A = 101 for all ULA and ULPF fund series except Money and Shield fund series
= 100 for other fund series

B = varies between 94 and 100. 100 less B represents the bid/offer spread

(vi) Prices in the Deposit and Money funds are guaranteed not to fall.

Method used to determine prices in the Old Building Society fund

The unit price of accumulation units on any occasion on which it is determined exceeds the previously determined unit price by at least such percentage as would, if applied successively to the unit price at time intervals equal to the time interval between the two aforementioned determinations, equate over a period of twelve months to the lowest rate of interest used on such occasions or most recently used by the Abbey PLC for new repayment mortgages granted on owner-occupied private domestic premises. In the event that no such rate or more than one rate is used the Company may use a rate that is in the opinion of the Actuary fair and reasonable. In the case of capital units only, this rate is reduced by three and one-half percentage points (or such other number of percentage points as shall equate to the annual rate of management charge for the time being applicable).

Method used to determine prices of Group units in internal linked funds

Prices of Group units in internal linked funds are calculated periodically thus:

(i) The assets of the fund are valued on the last working day of the month at 8 a.m. using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund is credited to the fund. Allowance is made for accrued income, both actual and prospective and any other appropriate deductions permitted by policy conditions. Certain costs incurred are met by the fund e.g. custodian's fees, stamp duty and other dealing costs. Investment management expenses are met by the Company.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on whether there is a net cancellation or creation of units at the valuation date.

(ii) The value determined in (i) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

(iii) A fund management charge is deducted from the fund at the applicable rate.

(iv) The value of the fund thus determined divided by the number of units in issue represents the creation price (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

There is no bid/offer spread. If the fund is valued on a cancellation basis the bid and offer prices are calculated as the rounded cancellation price. If the fund is valued on a creation basis the bid and offer prices are calculated as the rounded creation price.

<u>Method used to determine prices of units in internal linked funds (SLUK, ex-OB Fund)</u>

In pricing units in internal linked funds, investments are valued at the lowest available offer price or the highest available bid price with appropriate allowance for the expenses of purchase or sale. The decision to value on a bid or offer basis is based on whether the trend of the size of the fund is downwards or upwards. The valuation is used to determine the bid price, the offer price being determined by adding the bid/offer spread to the bid price. Units are created and cancelled at the bid price; they are allocated to policies at the offer price and redeemed at the bid price. The prices used are those in effect on the day following a decision to carry out a transaction, or on the day a transaction is effected. Pricing is normally carried out daily for those funds which are invested in equities. For other funds, pricing is normally carried out weekly, the prices applying to the following seven days.

<u>(b) Different Pricing Bases</u>

Other than the differences mentioned in (a), different pricing bases do not apply to different policies.

<u>(c) Units in Collective Investment Schemes</u>

Funds buy units in certain unit trusts managed by Resolution Asset Management at the creation price, the price used in the valuation is from midnight the day before the valuation date.

In addition, for fund series formerly in ULA and ULPF, Series 8, 9 and 10 units for funds formerly in SAPL and the Lifestyle Bond and Pensions Solutions fund series, any remaining unit trust or Open Ended Investment Company fund management charge net of any rebate is reimbursed by the Company to the internal linked fund.

Policies previously written in Alba

(a) Method used for cancellation and creation of units

For all contracts described in this section, unless otherwise stated, the following features apply:

- All unit purchases are subject to a charge (representing the bid-offer spread) of 5%.
- There is currently no charge for one switch between funds every year (though the company reserves the right to introduce such a charge at any time). The maximum charge for each subsequent switch is £25.
- All funds are currently on a bid basis.

(i) The price at which the company creates and liquidates units is on the bid price on the day in question.

(ii) Assets are valued at market values where they exist. The following rules apply:

Asset	Bid price	Offer Price
Cash	Face value	Face value
Internal linked Fund	Bid	Bid
Fixed interest	Bid minus dealing	Offer plus dealing
Internal unit trust	Cancellation	Creation
External unit trust	Bid	Offer
Equity	Bid minus dealing	Offer plus dealing
Property	Bid – Unitised Property Fund price	Offer – Unitised Property Fund price plus buying costs

Most of the "Main Funds", i.e. the Internally Managed BLAS Life and Pensions Funds, are invested directly in RAM Unit Trusts which are valued at Noon daily.

Calculating bid and offer values of the units

The asset values used in the calculation of unit prices include an allowance for dealing costs of buying or selling the assets.

The initial charge incorporated into the calculation of maximum offer prices is fixed at 5/95 of the value of the Fund.

(iii) Basis of valuation of assets

Policyholder net unit sales/repurchases	*Fundamental pricing basis*
Net sales expected into the medium term	Offer basis
Net repurchases expected into the medium term	Bid basis

Funds' cash flows over the rolling previous four months are reviewed on a monthly basis. When the flow looks as if it could be changing direction, the pricing basis is changed and the Unit Pricing Committee advised.

(iv) Timing of asset valuation

The values of the above Funds are generally based on previous day's closing values. Funds which are cross invested in other BLAS Funds are valued after pricing the principal Funds and therefore receive same day price.

The Externally Managed Funds are priced on previous day's closing values, the one Branded Fund being valued daily and the others routinely on the first business day of every month and as required by clients or for claims etc.

(b) Different Pricing Bases

There are no differences applying to different policies.

(c) Collective Investment Schemes

This is covered in (a) above.

Policies previously written in Century

(a) Method used for cancellation and creation of units

The valuation price of a unit is calculated by dividing the market value of the relevant assets including accruals for income and charges and after adjustment for accrued liability for tax on income and on realised and unrealised capital gains and losses by the number of units in existence for the fund / type.

The creation price of a unit is obtained in the same way as the valuation price, having regard to the offer value of the investments plus the costs of acquisition. The cancellation price is similarly obtained having regard to the bid value of the investments less the costs of disposal.

If a fund has a net cash inflow and this is expected to remain so then the creation price will be used to allocate units to and, within limits, to de-allocate units from funds. Where a fund has a net cash outflow and is expected to remain so then the cancellation price will be used to de-allocate units from and, within limits, to allocate units to funds.

The current method by which the basis of the valuation of assets is selected is as follows.

For each fund a reference level of units is determined i.e. the tidemark level. Following the creation or cancellation of units, the current number of units is compared to the tidemark. If the fund is on a bid basis and the current number of units is lower than the tidemark then the tidemark is lowered. If the fund is on an offer basis and the current number of units is higher than the tidemark it is raised. If the fund is on an offer basis and the current number of units is less than 95% of the tidemark level then the fund will be moved to a bid basis and the tidemark reset. If the fund is on a bid basis and the current number of units is greater than 105% of the tidemark level then the fund will be moved to an offer basis and the tidemark reset.

In order to avoid going too far past the 5% trigger, before carrying out any large (greater than 3% of the fund) creation / cancellation which is against the existing basis, the unit position against the tidemark is examined in order to determine whether the transaction would trigger a change of basis. If so, the change of basis may be made in advance of the creation / deletion rather than after.

For funds on a bid basis, the published bid price is determined from the above and, where the policy conditions permit, it may be rounded down by up to 1%. The offer price is then obtained by multiplying by 100/(100-bid offer spread %).

For funds on an offer basis, the published offer price is determined from the above multiplied by 100/(100-bid offer spread %) and, where the policy conditions permit, may be rounded up by up to 1%. The published bid price is then (100-bid offer spread)% of the offer price.

Valuations are carried out daily based on the investments held as at 9am and using the previous night's closing market values of the investments. Unit movements are allocated using the price calculated on the same day as the movements are processed. If a policyholder request to deal is received by post, then it is processed using the price on the day of receipt of the notification. If the notification is received by fax, then the following day's price is used in order to avoid selection against the fund.

(b) Different Pricing Bases

Except in very rare situations where a policyholder unit reduction is so large as to attract a dilution levy, at any one time the same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

Where collective investments are held, either the published offer price or the published bid price of the underlying unit trust is used, as appropriate. The pricing methodology and timing of the asset valuation is the same as for units invested in direct assets. The last opportunity to deal at the price calculated will be close of business on the previous day. The last opportunity to deal directly in the unit trust using consistent prices will also be close of business the previous day.

Policies previously written in BULA

(a) Method used for cancellation and creation of units

Ex-Unit Linked Fund: Other than Pensions Managed Fund business

Units are allocated to policies at the published offer price on the valuation date immediately following the date of receipt of the premium. On maturity, units are cancelled at the bid price on the valuation date immediately preceding the maturity date. On retirement, units are cancelled at the bid price on the last valuation date in the month of the selected retirement date. On death, critical illness, surrender, transfer, withdrawal, early retirement or other early termination, units are cancelled at the bid price on the valuation date following date of notification. Charges for mortality and terminal and critical illness cover, where applicable, are made by cancelling units at the bid price.

Units are only created in any linked fund if assets equivalent to such units are added simultaneously to the fund. Except for the purposes of meeting all expenses, charges and any tax liabilities or for reinvestment, assets are only withdrawn from any linked fund if units equivalent to such assets are simultaneously cancelled.

The fund is reduced by the weekly management charge based on the number of units multiplied by the published offer price.

Currently unit prices are determined by valuing the assets of the linked funds weekly, normally on a Wednesday, the valuation date. The day and frequency of such valuations may be amended after giving prior notice. The valuation takes account of all assets including uninvested cash. Stock exchange securities are valued using quoted prices. The value of land and buildings, if any, is based on valuations prepared by independent valuers with due allowance for variations since such valuations. The value of other assets are determined by the Head of Actuarial Function after taking any advice from independent experts or valuers where appropriate.

The offer value of a linked fund is the value of the investments at the prices at which they might be purchased on the valuation date, increased by amounts to cover acquisition costs of these investments and for accrued investment income and reduced by amounts to cover provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The offer price of a unit is the offer value divided by the number of units, multiplied by 100/95 and the result is rounded up by not more than 1%. The published offer price may vary below this offer price.

The bid value of the linked fund is the value of the investments at prices at which they might be sold on the valuation date, increased by amounts for accrued investment income and reduced by amounts to cover realisation costs, provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The bid price of a unit is the bid value of the fund divided by the number of units, rounded down by not more than 1%. The published bid price may vary above this bid price.

When the published prices are based on an offer basis, then the published offer price is the rounded offer price and the published bid price is 95% of the published offer price. When the published prices are based on a bid basis, then the published bid price is the rounded bid price and the published offer price is 100/95 times the published bid price. The offer basis is used for periods of net creation of units and a bid basis is used for periods of net cancellation of units. All funds are currently on a bid basis.

Ex-Unit Linked Fund: Stakeholder Pension

These funds are priced daily, on an offer basis if there are net creations that day or on a bid basis if there are net cancellations that day. They are single priced and there is no bid/offer spread.

The offer basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be bought, increased by amounts to cover dealing costs and stamp duty, where applicable, divided by the number of units, then reduced by the equivalent one day's management charge and then rounded up to two decimal places.

The bid basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be sold, decreased by amounts to cover dealing costs, divided by the number of units, then reduced by the equivalent of one day's management charge and then rounded down to two decimal places.

Ex-Unit Linked Fund: Pensions Managed Fund Business

Up to and including 30 November 2003 these funds were priced in the same way as described above for Stakeholder Pension business.

From 1 December 2003, unit prices are calculated gross of management charges. Management charges are taken by unit encashment.

Ex-Non-Profit Fund: Other than the Capital and Super Plan

Unit prices are determined weekly. Life funds are additionally determined on the 20th of each month. Unit prices may be determined more frequently at the company's discretion.

Policyholders buy units at the next available published offer price following the day that premiums are paid. Units are bought from policyholders at the next bid price following an instruction to switch units and at the current bid price at the time of maturity or death. Unit charges are deducted at the latest bid price at the time the charge is made. On surrender, units are valued at the latest bid price following receipt of all necessary documentation.

Units in the internal linked funds are created or cancelled at the unrounded offer price to match the number of units allocated or deallocated from policies. When there is expected to be a net purchase of underlying assets over the medium term, the internal linked funds are valued on an offer basis. A bid basis is used when net sales are expected.

When the funds are valued on an offer basis, unrounded offer prices are equal to the net asset value per internal unit for each unit fund. For a particular fund the asset value is:

- the lowest offer value of assets as at the close of the previous working day
- plus an estimate of the buying expenses incurred in purchasing an identical portfolio of assets
- plus investment income (net of tax for life funds)
- minus, for life funds, a provision for accrued unrealised capital gains tax
- minus an amount in respect of accrued annual management charge.

The latter item is deducted weekly for pension funds and monthly for life funds.

When the funds are valued on a bid basis, unit allocations and deallocations again take place using an unrounded offer price. This again is equal to the net asset value per internal unit for each unit fund. In this case for a particular fund the asset value is

- the highest bid value of assets at the close of the previous working day
- less an estimate of the cost of realising the portfolio of assets

- plus investment income (net of tax for life funds)
- minus, for life funds, a provision for accrued unrealised capital gains tax
- minus an amount in respect of accrued annual management charge.

The latter is deducted weekly for pension funds and monthly for life funds.

On both bases, the published offer price is the unrounded offer price rounded up to the nearest 0.5 pence. The published bid price is calculated as 95% of the published offer price rounded down to the nearer 0.5 pence.

Within each fund, all policyholder units are valued using the same basis. Where units are held in collective investment schemes, unit trust prices are taken as the lowest offer price at the close of the previous working day.

Ex-Non-Profit Fund: Capital and Super Plan.

Unit prices are calculated on the 16th of each month based on closing prices on the 15th. Premiums are paid on the 15th of each month and policyholders purchase units at the offer price calculated on the 16th. On maturity or death, units are cancelled at the latest bid price. On surrender, units are cancelled at the latest bid price following receipt of all documentation. Super Plan units may be surrendered only on the 16th of each month. At the company's discretion Capital units could be surrendered at the next available bid price.

Bid/offer spreads and the pricing basis is laid down in the policy documents. The published Capital Offer price is the unrounded price multiplied by 1.025 rounded as follows, <1.0025 then rounded to 1.0000, 1.0025 to 1.0075 then rounded to 1.005 & > 1.0075 then rounded to 1.01. The published Capital Bid price is calculated as 0.9875 times the unrounded price rounded in the same way as the Offer price. The published Super Plan Offer price is the unrounded price multiplied by 1.0350175 rounded in the same way as the Capital prices. The published Super Plan price is calculated as 0.9825 times the unrounded price rounded in the same way as the Capital prices

Unrounded prices are equal to the net asset value per internal unit for each unit fund. For each fund the asset value is the mid market value of assets as at the close on the 15th of the month minus a provision for accrued unrealised capital gains tax.

(b) Different Pricing Bases

The same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

Where units are held in collective investment schemes, unit trust prices are taken as the lowest offer price at the close of the previous working day. The pricing methodology and timing of the asset valuation is the same as for units invested in direct assets. The last opportunity to deal at the price calculated will be close of business on the previous day. The last opportunity to deal directly in the unit trust using consistent prices will also be close of business the previous day.

Policies previously written in BRS

(a) Method used for cancellation and creation of units

For the Equity Release Plan there is a single unit in each individual internal linked fund. For the purpose of determining unit prices, properties in the funds are held at vacant possession open market value. Properties are independently valued at acquisition and at least once every three years thereafter. The internal linked funds are valued at least once in each calendar year on the basis of the most recent valuation of the property adjusted using statistics for movements in house prices since the date of the last valuation.

(b) Different Pricing Bases

The same pricing basis is used for all policies at all times.

(c) Collective Investment Schemes

The units are not in collective investment schemes.

Policies previously written in BA

There are no internal linked funds.

(8) Tax Deductions From Internal Linked Funds

Policies previously written in PLL

(a) Tax on Realised Capital Gains

Applicable to life funds only.

The provision for tax on realised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the realised capital gain calculated as the excess of the proceeds on disposal of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses are applied to offset any realised capital gains within the same fund.

The tax rate applied to realised capital gains does not exceed that which would apply if the fund comprised the whole of the Company's life assurance fund with no allowance being made for expenses. For chargeable assets excluding gilts and bonds, the rate of tax applied during the report period has been 20%. Throughout the report period the rate of tax for gilts and bonds, where a tax rate has applied, was 20%. The provision for tax on realised capital gains is deducted from the fund annually at the end of each year.

For realised capital gains arising from Sections 212 to 214a of the Taxation of Chargeable Gains Act 1992, one seventh of the gain is provided for as above. The balance of the instalments is taxed at an appropriate rate (18%) and the provision is held within the fund. When the capital gains tax charge on a subsequent instalment falls due, the instalment is removed from this provision and treated as other realised tax charges described above.

Where policy benefits are linked to directly held assets, namely authorised unit trusts or other collective investment schemes, a deduction is made from the policy benefits when units are de-allocated representing tax on the realised capital gains as permitted by policy conditions. During the report period the rate of tax applied has been 20% throughout.

(b) Tax on Unrealised Capital Gains

Applicable to life funds only.

The provision for tax on unrealised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the unrealised capital gain calculated on the excess of the market value of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses remaining after offsetting against the provision for realised capital gains are applied to offset any unrealised capital gains within the same fund.

During the report period the rates of tax applied have been all on the bid basis:

Asset within internal fund	Bid basis	Offer basis
Equities and other company securities	17%	20%
Unit trusts etc. *	17%	20%
Property	17%	20%
Gilts and bonds	20%	20%

* i.e. assets within the scope of the deemed disposal provisions.

Policies previously written in Alba

Tax on income

Tax on income is calculated at the full policyholder tax rates on all investment income.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for anticipated tax losses.

Capital Gains Tax (CGT) on other assets:

For ordinary disposals each taxable gain is charged at the rate in force at the time of disposal. Details of tax liabilities in respect of investment income and realised capital gains is incorporated into unit pricing from the investment ledger on a daily basis.

In the case of deemed disposals, taxable gains and reclaimable losses are charged at the rates in force at the end of the years to which each fraction is allocated, and discounted back to the present time at a rate to be set by the Unit Pricing Committee.

Since the fund is given full allowance for unrealised capital gains accrued to date the unit price should reflect the tax liability that has accrued alongside. Accordingly current liabilities are maintained which reflect the Fund's accrual of unrealised capital gains but discounted to the extent that tax on them can be deferred. Ultimate payment of this tax will depend on the extent to which the stock notionally backing policyholders' current claims can be passed on to incoming policyholders (i.e. the pattern of future policyholder net cash flow) and the degree of active Fund management. To the extent that deferment is anticipated, the Unit Pricing Committee will discount the tax for the period at an appropriate real rate of interest after tax, as set.

While a fund is valued on a bid basis in response to net outflow of policyholder money, the full rate of tax is applied to unrealised gains.

Where losses, realised or unrealised, are experienced the pace of future growth in market values is also a factor. There is a risk that the funds will suffer a substantial net outflow, before market values have recovered sufficiently, thereby reducing further the likelihood of the loss being completely absorbed. Tax is applied to each internal linked fund as if it were a separate fund for tax purposes. The current practice is detailed in the following table.

An appropriate allowance is made for indexation in the calculation of gains subject to taxation.

The above can be summarised as shown in the following table, all funds are on the bid basis:

	Bid basis		Offer basis	
	Gains	Losses	Gains	Losses
Investment income	Provided at full rate -20%	N/A	Provided at full rate -20%	N/A
Loan relationships	Provided at full rate – 20%	Provided at full rate – 20%	Provided at full rate – 20%	Provided at full rate – 20%
Realised gains and losses	Provided at full rate – 20%	Provided at nil	Provided at full rate – 20%	Provided at nil
Unrealised gains and losses				
Main Life Funds	Provided at 17%	Provided at nil	Provided at discounted rate –17%	Provided at nil
Personal Bonds	Provided at 20%	Provided at nil	Provided at 20%	Provided at nil
Deemed disposals	Provided at discounted rate – 17%	Credit to the extent that prior deemed gains exist.	Provided at discounted rate – 17%	Credit to the extent that prior deemed gains exist.

Policies previously written in Century

Tax is applied to each internal linked fund as if it were a separate fund for tax purposes. Realised tax is removed from the funds on a quarterly basis and unrealised tax a few days after the year end as part of the deemed disposal process.

In the case of unit trusts, a deemed disposal is carried out at the end of each financial year and the tax deducted from the funds. Where a gain occurs subsequent to previous losses, those losses are used to offset the gain. Where a loss occurs subsequent to previous gains an amount of tax is credited back to the fund.

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or, in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. The unrealised provision was calculated at a rate of 18%. Tax on realised gains was deducted at 20%.

Policies previously written in BULA

Monies are removed from the funds to pay for capital gains tax only when investments are realised, with deemed disposals of unit trusts being treated as realisations.

The rate of tax levied on realised indexed equity/unit trust gains and fixed interest gains was 20% during 2007.

Policies previously written in BRS

No deductions are made for capital gains tax in the Equity Release Plan internal linked funds.

Policies previously written in BA

There are no internal linked funds.

(9) Tax Provisions for Internal Linked Funds

Due to a mismatch between the capital gains position of individual life linked funds and the overall position of the company, an additional reserve is normally held. At the valuation date the reserve was zero.

Policies previously written in PLL

For assets of internal linked funds, provision for tax on unrealised capital gains has been implicitly included in the unit liability, the latter being equal to the value of the corresponding linked funds which has been adjusted to allow for future tax on capital gains.

Allowance has been made in the valuation for taxation which whilst currently being shown as tax recoverable by the non-linked funds, will actually be used for the benefit of the unitholders in the linked funds.

Tax rates used in the determination of the provision are described above in 3(8)(b).

This method applies to all types of units.

Policies previously written in Alba

These are covered in (8) above.

Policies previously written in Century

During the year, realised and unrealised gains and losses are notionally credited in the pricing process. Tax is deducted and credited at the current rate used to calculate the unrealised provision.

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. The unrealised provision was calculated at a rate of 18%. Tax on realised gains was deducted at 20%.

Income, realised gains and unrealised gains in respect of loan relationships were, at the valuation date, taxed at 20% having regard to the pooled market value at the date of the latest mark to market.

Policies previously written in BULA

In determining unit prices, realised and unrealised gains have been allowed for as follows:

> The value of the assets of the linked funds is reduced by any tax due on realised gains (after taking account of unrelieved tax losses). For realised losses, no allowance has been made for any tax credit since July 2001.
>
> For unrealised gains, (net of unrelieved tax losses) a provision for the full tax charge with no discounting has been made. For unrealised losses, no allowance has been made for any tax credit. Capital losses on each fund are treated individually.
>
> Deemed disposals on unit trusts have been treated as realised gains. The tax rate throughout the year has been 20%.

For linked funds other than Property funds, during the valuation year the provision was equal to 20% of the unrealised indexed amounts. For Property funds the provision was 20% of the unrealised indexed amounts. The rate of tax levied on unrealised fixed interest gains was 20% of the unrealised amounts.

Policies previously written in BRS

A deferred tax provision is held to cover chargeable capital gains made up to the valuation date. The current tax rate applicable to capital gains is currently 20% and the provision covers 100% of this.

Policies previously written in BA

There are no internal linked funds.

(10) Discounts on Unit Purchases

Unit Trust Life and Unit Trust Pension Policies previously written in PLL

The internal linked funds purchase units in collective investment funds managed by certain companies with no connection with the Company where discounts are received on the Initial Charges.

These are detailed below:

Investment Management Company	Initial Charge Discount	Fund buys at:
Framlington	4.00%	-
Henderson	-	Creation price + 0.5%
Barings	4.50%	-
Gartmore	4.50%	-
Invesco	3.00%	-
Perpetual	4.50%	-

Personal Bond Funds, Broker Bond Funds, Executive Pension Plans, Broker Funds and Broker Direct Investment previously written in PLL

Funds buy units in unit trusts and other collective investment schemes managed by Foreign & Colonial Asset Management at the creation price.

All the benefits are passed on to the internal linked fund and therefore reflected in the unit price.

Direct holdings of assets in PLL

The Company holds authorised unit trusts and investments in other collective investment schemes which are direct holdings of assets matching liabilities in respect of property linked benefits.

The Company receives a discount of 5% on the Initial Charge when buying units in respect of unit trusts managed by the JP Morgan Fleming. The benefit of this discount is retained by the Company.

The Company receives a discount of 4.5% on the Initial Charge when buying units in respect of unit trusts managed by Gartmore Fund Managers. The benefit of this discount is retained by the Company.

External Fund links for the Lifestyle Bond previously written in PLL

Certain funds available to the Lifestyle Bond buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such External funds as set out in the following table:

External Fund Link	Rebate p.a.
Framlington Health	0.55%
Framlington Absolute Growth	0.75%
Framlington UK Growth	0.65%
Gartmore American	0.75%
Gartmore Euro Select	0.75%
Gartmore UK & Irish Companies	0.75%
Aberdeen Technology	0.75%
Aberdeen Ethical	0.95%
Newton Life Managed	1.00%
Newton Life Balanced	1.00%
Newton Life Continental	1.00%

The rebates received are reimbursed (net of tax at 20%) by the Company to the internal linked fund.

External Fund links for Pensions Solutions Products previously written in PLL

Certain funds available to Pensions Solutions products buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such funds External funds as set out in the following table:

External Fund Link	Rebate p.a.
Baille Gifford Managed	0.00%
Framlington Health	0.55%
Framlington Absolute Growth	0.75%
Framlington UK Growth	0.65%
Gartmore American	0.75%
Gartmore Euro Select	0.75%
Gartmore UK & Irish Companies	0.75%
Aberdeen Technology	0.75%
Aberdeen Ethical	0.95%
Newton Life Managed	1.00%
Newton Life Balanced	1.00%
Newton Life Continental	1.00%

The rebates received are reimbursed by the Company to the internal linked fund.

Policies previously written in Alba

No units are held that need to be reported.

Policies previously written in Century

The assets of the internal linked funds of the Company include unit trusts and other collective investment schemes e.g. OEICS, ICVCs and UCITS available from a range of fund managers.

In general, discounts are available to the Company on the purchase of units and these are passed on to the policyholder. The majority of the assets in what were formerly Century's unit linked funds are managed by Resolution Asset Management Limited and Invesco Fund Managers Limited. Both fully rebate their initial charge.

Both Resolution Asset Management Limited and Invesco Fund Managers Limited rebate to the Company a part of the annual management charge levied by them with the exception of Invesco assets held by the Perpetual Managed Funds. For the majority of the internal funds, the amount rebated to the Company is credited to the relevant fund, less tax where appropriate. Specifically:

(i) The following linked funds are rebated some or all of the amount received by Century Life in respect of those funds, subject to the deduction of tax in the case of life funds. This applies to:

Certain Ex-NBA Performance Bond fund links to RAM
Ex-NBA Multichoice life funds
Ex-NEL Pensions Multichoice funds
Ex-CCL funds
Ex-Crown funds
Ex-Prosperity funds
Ex-Hiscox funds
Ex-City of Edinburgh funds
Ex-UK Life funds
Ex-OMLA funds

(ii) Certain funds are rebated the whole of the unit trust annual management charge, subject to tax. This applies to:

Ex-NBA Performance Bond fund links to Invesco and certain links to RAM
Ex-NBA Pensions
Ex-NEL Pensions NELEX fund links to Invesco and RAM except Invesco Exempt Trust fund
Ex-NAL Funds

(iii) Certain funds receive no rebate at all. The funds are:

Ex-NEL Pensions NELEX Invesco Exempt Trust fund
Ex-Sentinel funds
Broker funds*

*In respect of unit trust investments held within broker funds neither Resolution nor Invesco rebate their annual management charges to the Company.

Policies previously written in BULA

There are no units held where BULA receives commission, discount or other allowances that need to be reported.

Policies previously written in BRS

No units are held that need to be reported.

Policies previously written in BA

There are no internal linked funds.

4. VALUATION BASIS

(1) Valuation Methods

Policies previously written in PLL

A gross premium method has been used except for a small number of ex-SLUK non-profit policies which have been valued using the net premium method.

In respect of fixed immediate, reversionary, and index linked annuities the liability has been taken as the present value of all future annuity payments, valued according to the contractual mode of payment, together with the relevant expenses. Allowance has been made where annuity payments are guaranteed for a minimum number of years.

For guaranteed rate individual PHI policies the gross premium method was used in the valuation. Gross premiums were reduced by the greater of the amount of renewal commission and 2.5%. In addition there is an annual per policy loading for all contracts. Any waiver of premium benefits are brought into the calculation of the reserves as an addition to the sum assured. The reserves thus calculated were then increased to provide, inter alia, for:

(i) extra premium payable on account of health or occupation. Policies carrying an extra premium have an additional reserve of 2 years' extra premium (PAL only);

(ii) an additional reserve making full provision for claims in payment on the valuation date; and

(iii) the inclusion of additional reserves for claims incurred but not yet reported and claims notified but not yet accepted.

For group risk contracts the reserve is made up as follows:

(i) a reserve in respect of the risk exposure relating to the period from the valuation date to the next premium due date,

(ii) 10% of premiums in force on the valuation date,

(iii) the discounted value of PHI claims in course of payment, and

(iv) a reserve in respect of claims which have not yet been reported, whether as a result of the deferred period (for PHI claims) or for other reasons.

The liability in respect of Progressive Protection contracts is taken as one year's office premium in respect of life cover, and one and a half years' premium in respect of critical illness cover.

The liability for Flexible Mortgage Protection contracts is taken as three and a half years' office premium in respect of life cover, and four years' premium in respect of critical illness cover.

In respect of policies issued on sub-standard lives, where an extra premium was imposed, a reserve of not less than 100% of one year's extra premium was established.

<u>Deposit administration contracts (PAL)</u>

The liability for Pension Plans was calculated as:

(i) the total Pension Accounts; plus

(ii) an allowance for any death in service benefits provided under the Executive Pension Plan; plus

(iii) an allowance to provide for investment guarantees; plus

(iv) an annual per policy expense.

<u>Deposit administration contracts (SLUK)</u>

For Deposit Administration contracts and Deferred Annuities by Cash Accumulation, the reserve is the discounted value of expected future transfers from the accounts, including bonuses at the current rate. The discounted value of the payments due on surrender of the contract has been used where this produces a higher reserve.

Linked Contracts

In respect of all other unit linked contracts the liability is determined on the following basis:

> Unit liability - for all contracts, the unit liabilities were taken as the number of units deemed allocated in accordance with the funding plan where applicable and allowing for future cancellation of cancellable units multiplied by the unit price in the relevant fund or unit trust/OEIC at the valuation date. For this purpose unit prices in the internal linked funds have been calculated using the bid value at the valuation date of the assets of the relevant fund.
>
> Non-unit liability - for all contracts, except those listed below, the liability is calculated using cash flow projection methods. Allowance is made within the cash flow projection for mortality and expenses.

The total liability is the sum of the unit and non-unit liabilities.

For Protection Plan, a proportion of each premium, less a charge for life cover, is invested in units and placed in the "Reserve Account". On each policy anniversary the value of the units in the "Reserve Account" is compared with a guaranteed value (calculated using a net premium formula with interest at 2.5% and mortality assuming A49/52) and the number of units is reduced so that the value of units in the "Reserve Account" is equal to the guaranteed value. The balance of units (if any) is transferred to the "Bonus Account".

The claim value is the sum assured plus the value of units in the "Bonus Account". The surrender value, after two year's premiums have been paid, is the guaranteed value at each policy anniversary plus the value of units in the "Bonus Account".

The total liability is the sum of the unit and non-unit liabilities (including the value of units in the "Bonus Account"), subject to a minimum of the surrender value.

The approach adopted to calculate the non-unit liability for policies not valued using a discounted cash flow basis is set out below.

Isle of Man Substitute Plans (Series I and II)	5% of annual premium
Group Pension Scheme	1% of unit liability plus one month's premiu
International Mortgage Plan	5% of annual premium
Flexibonds	5% of unit liability
Isle of Man Substitute Plans (Series III)	5% of unit liability
Universal Protection Plan	3 months servicing expense charges
Vested Pensions Policy	Value of future expenses
Annuity in Payment	Value of future expenses

For Partners Pension Plan, Pension Fund Investment Policy, Pension Fund Trustee Investment Policy, Private Companies Pension Fund Investment Policy, Retirement Annuity Policy, Group Schemes, Shield, Lloyds Bank, Individual Bonds (inc. CTT Plan), no cash flow projections were made. This is because such ongoing expenses are currently less than the ongoing monthly management charge on the units and anticipated to be so in the future.

The liability in respect of benefits on contracts reassured from Phoenix and London Assurance Limited (PALAL) on a risk premium basis is taken as three months' risk premiums in respect of these benefits, as charged to policyholders by PALAL. (PALAL pays Phoenix Life Limited 87.5% of these risk premiums in respect of life cover reassurances, and 91% of these risk premiums in respect of reassurances of the Living Benefit and Medical Expenses Benefit on Universal Protection Plan).

For products where the valuation method does not allow for future lapses as outlined in paragraph 4(9), negative reserves have been eliminated.

PAL Reassured Contracts

Business is accepted under reassurance treaties with companies overseas under which the Company receives a share of the whole business. The liabilities have been calculated on the valuation basis adopted by each ceding company. The liabilities are the amounts which have been deposited with each ceding company as security for the Company's obligation; each reassurance treaty contains a clause that the mathematical reserve must be deposited with the ceding company.

Policies previously written in Alba

(1) The mathematical reserve for all unitised contracts linked to units in the unit linked fund has been calculated as the sum of (i) and (ii) below:

(i) The face value of units, which is the number of units at the valuation date.

(ii) A sterling reserve calculated by discounting projected future cashflows and allowing for future expenses. For regular premium paying policies, the reserves are based on the higher of:

(a) the reserve calculated assuming that regular premiums continue to be paid at the current level and

(b) the reserve calculated assuming that premiums cease and the policy becomes paid up at the valuation date.

Exceptions

(a) No negative reserves have been included and no contract of insurance has been treated as an asset.

(b) For property linked business an amount equal to the provision in the pricing of the internal linked funds at the valuation date has been reserved for the prospective liability to tax on unrealised capital gains.

(c) No specific reserve has been made for investment performance guarantees for property linked contracts.

For the Capital Investment Bond and Mortgage Minder arising from BLA, no specific reserve has been considered necessary for the Cash Fund guarantee because the backing assets are deposits or short term securities.

Policies Arising From BLAS

Mortality reserves in respect of guaranteed and other death benefits were set up as follows:

Pre 1982 series. Assuming a 25% fall in unit values, very few contracts would have a sum assured at risk. A nominal reserve is held.

Post 1981 series and pension business. With the exception specified below, the reserve is twice the monthly risk charge for the relevant benefits, adjusted for extra premiums.

The reserve set up for waiver of premium benefits under the Personal Pension Plan is the accumulation of premiums paid subject to a maximum of three years' premium, adjusted for extra premiums.

For permanent health insurance benefits the reserve set up is the accumulation of premiums paid subject to a maximum of three months' premiums, adjusted for extra premiums.

(d) Other specific reserves have been set up for the following contracts:

(i) On Growth Property Bonds Series 1 and 2, Capital Investment Bonds and single premium pension plans, the unit liability was the value of units allocated plus loyalty bonus units accrued to the valuation date.

(ii) For Mortgage Minder and regular premium unit linked pension policies the unit reserve was equal to the value of the units allocated to date. A mortality reserve was held equal to one third of the current month's mortality charge.

(iii) Genesis pension contracts have been valued by a cash flow method for linked benefits.

(iv) LASPEN Managed Fund

The valuation net liability comprises the unit liabilities at the valuation date and the amount of premiums received by the valuation date to be allocated to the purchase of units at the next allocation date.

(v) Post 1 January 1995 Contracts

A reserve for future mortality and expenses was generated by calculating a present value of future charges, expenses and costs of risk benefits. The charges assumed are those actually deducted from the contract and the bases for expenses and mortality are as shown at the start of this section.

(vi) Segregated Pension Funds

Certain Segregated Pension funds have outstanding loans matched against property assets. No additional reserve was required regarding the recovery of these loans.

Policies previously written in Century

The total liability, net of reassurance, for all classes of business where a prospective method of valuation has not been used is not significant in comparison with the total mathematical reserves for the Company.

The valuation methods used in the valuation of the significant groups of business were as follows

Non Linked Whole Life and Endowment Assurance

For all non-linked whole life and endowment assurance contracts, the reserve was calculated using a gross premium method of valuation.

Policies have been issued subject to a lien and under certain Endowment Assurance policies the sum payable on death may be less than the sum payable at maturity. In the valuation an amount equal to the sum payable on maturity has been assumed to be the sum payable at death.

The reserves calculated were tested against the guaranteed surrender value and if the latter was the greater then this amount was held as the valuation reserve. Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

Policies which have been granted guaranteed bonus additions have been valued as non-profit policies with a sum assured increasing at the guaranteed rate. Additional reserves have been included for the guaranteed terminal bonus on ex-Hiscox ex-with profit policies.

For waiver of premium benefits the liability has been taken as 75% of the accumulated annualised premium plus a reserve for claims in payment at the valuation date.

Guaranteed Security Bonds were valued using a cashflow method.

Term Assurances

For all term assurance contracts a gross premium method of valuation was used.

For Ex-Prosperity Decreasing Term Assurances and Pension Term Assurances costed by recurrent single premiums, 100% of either the annual or single premium was reserved, as appropriate.

A distinction has been made for policyholders of certain ex-NEL Term Assurances and reducing Term Assurances between those who do and those who do not smoke.

For ex-CCL Convertible Term Assurances an additional reserve of 10% of premiums paid for policies issued up to 1979 and 15% of premiums paid for policies issued after 1979 was held. For all other Convertible Term Assurances an additional reserve of 10% of all premiums paid accumulated with compound interest at the valuation rate has been made.

For ex-FMI contingent assurances a reserve equal to the single premium was made.

A 13% Mortgage Repayment Table was assumed to apply to all ex-NEL and ex-Sentinel Mortgage Protection policies. A 6.75% Mortgage Repayment Table was assumed to apply to all ex-Consumers Mortgage Protection policies. A 12% Mortgage Repayment Table was assumed to apply to all policies originally issued by CCL and a 15% table to all policies originally issued by Shield. For ex-NAL Mortgage Protection Plans a mortgage rate of 8% was assumed in determining future sums assured

For policies where the extended term non-forfeiture provision was in operation on the valuation date, a reserve was held to cover the liability during the remaining period of non-forfeiture and, for endowment assurances, any maturity payment at the end of the period.

For accidental death benefits, the reserve held was an amount equal to the unexpired portion of the premium plus two months' premiums plus a reserve for claims in payment on the valuation date. For ex-Prosperity Accident Income Plans the reserves were calculated as one half of the annual premiums in force. An additional reserve was held for claims in payment.

For lives accepted at non-standard rates, the additional reserve held was an amount equal to 150% of the annual office extra premium.

In the case of reassurances accepted or ceded by the Company on a risk premium basis, a reserve equal to 50% of the current premium has been set up where premiums are paid annually, and equal to one month's premium where premiums are paid monthly.

No credit has been taken for risk premium reinsurance ceded on ex-CFS policies as this is costed on a quarterly census method.

Ex-Prosperity Group life assurances were valued by reserving either 60.0% of the annual premium or the unearned proportion of the single premium, as appropriate. The liability in respect of other Group Life schemes has been calculated as (12-n)/12 multiplied by one year's office premium, where n is equivalent to the number of complete months of cover since the last renewal date. In the case of schemes paying premiums on a monthly basis one month's premium has been reserved.

For annual premium Group Death in Service contracts providing Spouses Pensions benefits, the wives have been assumed to be 3 years younger than their husband. For ex-Crown policies, a reserve has been made for Group Death in Service Benefits by recurrent single premium of a proportion of the office premium corresponding to the unexpired period of risk calculated to the higher month.

The liability for Payment Protection Benefits on ex-NAL Pensions Life Assurance Plans was taken as one annual premium. The liability for Payment Protection claims in payment was taken as five times the annual premium for the main contract.

A reserve has been held for death claims which have not been reported equal to two months expected death cost net of reassurance. A similar reserve has been held for critical illness claims equal to three months expected claim cost net of reassurance.

For Creditor schemes, the liability was taken as the total amount of unearned premiums (net of commission) as at the valuation date assuming that all risks commenced at the end of the premium payment month. The single premiums are taken to be earned in proportion to the cost of risk assuming that loan repayments are uniform over the term of each loan and that the claims rate remains constant. The valuation methods make implicit allowance for claims incurred but not reported as at the valuation date. The liabilities were increased by the amount of any experience profit share accrued to the valuation date.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

<u>Non Linked Deferred Annuities</u>

For all policies, the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

For all deferred annuity contracts the reserve was calculated using a gross premium method of valuation.

Personal Retirement Plans were valued using a cashflow method.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

Ex-NELPEN Self Employed Pension Plans, Personal Pension Policies, EPPs, AVCs, Transfer Plan and Group Pension Schemes (including Pensions Management Contracts)

Under "Guaranteed Growth" contracts, for the "Second Account" or "Main Account" the full accumulated balance is taken and for "First Account" or "Initial Account" the accumulated balance is discounted with mortality and interest. On all "Guaranteed Growth" contracts the accumulated balance at the valuation date is increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary.

For Guaranteed Growth Plans, the valuation method was to take the accumulated balance of the "Second Account/Main Account" plus the discounted balance of the "First Account/Initial Account" plus a reserve for future expenses and mortality. The basic reserves allow for the guaranteed unit growth rates.

<u>Immediate Annuities</u>

The reserve held in respect of annuities in payment was the present value of future benefits together with an additional reserve of the present value of future expenses.

Non Linked Permanent Health Insurance

The reserves non group PHI business are calculated as the sum of:

(i) 1 x premium for future risk including IBNR;
(ii) Reserve for all future expenses assuming no contribution from the premium; and
(iii) a reserve for claims in payment based on annuity factors with a maximum of 7 or actual factors from reinsurers (where available). No expenses are included in this reserve.

The first and last of these are calculated on a gross and net basis with the difference used to calculate the reinsurance offset. There is no reinsurance offset for the expense component.

The reserves for Group PHI business are calculated as the sum of Unearned Premium and Incurred but not Reported Reserves and a reserve for claims in payment based on annuity factors with a maximum of 7 or actual factors from reinsurers (where available). No expenses are included in this reserve.

These are calculated on a gross and reinsured basis in order to determine the net liability.

For Ex-NAL Critical Illness Plans and Tailored Mortgage Protection contracts including an element of critical illness cover it was assumed that the current premiums would remain unaltered for the full contract terms, even though it is likely that these will increase.

Deposit Administration Contracts

The base reserve for ex-Crown contracts has been taken as the aggregate of the surrender value for each scheme at the valuation date including an allowance for interest from the previous scheme anniversary date to the valuation date. The interest rate used varied by month of scheme renewal and was derived from the average rate of interest earned in the period to the valuation date, including an additional amount to allow for enhancements allowed for certain schemes.

For the guaranteed minimum rate of interest on ex-Crown Deposit Administration business the expected cost of the guarantee for the remaining term of the policy was calculated assuming that interest rates fell by 20% at the valuation date.

For ex-OMLA Personal Pension Plans, Capital Pension Plans and Executive Pension plans, the main fund was taken as the full accumulated balance and for the Initial Premium fund the accumulated balance was discounted with mortality and interest. For all contracts the accumulated balance at the valuation date was increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary. An additional sterling reserve was calculated using a cashflow method. The basic reserves allow for the guaranteed unit growth rates.

Linked Business

All unit-linked business with the exception of ex-Crown group business was valued on a sterling reserve basis. Ex-Crown group policies were allocated expenses equal to their margins.

Unit liabilities were calculated as the value of capital and accumulation units discounted, where applicable, using the following funding rates

Portfolio	Capital Units	Accumulation Units
Ex- Sentinel	6.00%	-
Ex-Crown	4.35%	-
Ex-NELPEN	5% /6%	-
Ex-OMLA	3.5% /4.5% 4.75% /5.25%	0.75% /1.0%

For ex-NELPEN and ex-OMLA the rate used varies according to contract type. In addition, for ex-NBA life and pension policies and certain other ex-OMLA policies, surrender penalties are deducted from the unit values to calculate the unit reserve held.

The value of the units is based on bid prices at 31 December calculated in accordance with the asset valuation regulations. Where appropriate, provisions have been made within each of the funds to meet any potential liability to tax on unrealised capital gains including outstanding amounts payable in respect of unit trust deemed disposals.

In respect of all life business internal linked and broker funds the valuation bid price of units makes an allowance for a potential tax liability on unrealised gains after credit for any unrealised or realised losses.

A sterling reserve for mortality and expenses is calculated on a cash flow basis. For linked contracts, the reasonable expectations of policyholders are taken into account in establishing the sterling reserves. No allowance for increasing the annual management charge or other charges is made, other than inflationary increases in plan fees, even though in some circumstances the Company has the right to increase such charges.

The mortality charges used are an assumed rate based on the average mortality charges for the linked contracts. The morbidity rates are those used in practice.

For Ex-NAL Pension Policies, there is an option to increase the policy fees on these policies each year in line with NAE. Current practice is to increase the fees each year by 75% of the increase in NAE and the valuation assumption is in line with this practice.

Any negative unit reserves and any negative sterling reserves were individually eliminated by increasing the respective reserve to zero except as described below. Where there are unit-linked benefits in addition to conventional benefits, any negative values on the conventional part of the policy were eliminated without regard to any positive value on the unit-linked part.

An additional reserve has been established in respect of amounts yet to be allocated to units. Reserves in respect of the uninvested balance have been established equal to the full amount of the uninvested balance in respect of the AVSP (Whole Life), Pan Plan (Whole life), PIP (Whole Life) and WISP (Series 1 and Series 2) contracts. For WISP Series 3 the reserve is that for an endowment assurance (sum assured equal to the uninvested balance) maturing at age 60 and under which no further premiums are payable.

For WISP policies there is a further reserve of 0.2% of the guaranteed sum assured in respect of the Waiver of Premium benefit. For Super WISP 25 policies there is a further reserve of 2% of one annualised office premium in respect of the Waiver of Premium benefit.

For A-plan policies additional reserves were held as follows:
(i) A reserve in respect of the maturity guarantee.
(ii) An amount equal to 2% of the office annual premium for the Waiver of Premium Benefit.
(iii) An amount equal to 0.1% of the sum at risk in respect of the Accidental Death Benefit cover.
(iv) An amount equal to 3% of the sum assured discounted to the maturity date at 4.5% in respect of the guaranteed insurability option.

For Unit Trust Whole Life and Endowment policies the valuation liability was taken as the market value of attaching units together with the value of the endowment or whole life benefit valued in accordance with the general principles detailed for non-linked policies in this section.

For policies linked to unit trusts which were ex-dividend at the valuation date an adjustment to the mathematical reserves was made, being the respective anticipated total net distribution receivable by the policyholders.

For the Pension Investment Plan and ex-NELPEN Pensions Management contracts a reserve of 2% of the unit liability was made to provide for future expenses.

For policyholders deemed invested in the Income Fund who have elected to receive distributed income in the form of cash rather than units, an additional reserve has been set up being the cash accrued and awaiting distribution. Where a Plan comprises a cluster of policies taken out simultaneously the per plan expenses are divided equally between each policy.

For ex-NBA Life policies, where an extra premium has been charged for the provision of premium waiver during incapacity a reserve of 75% of the total annualised extra premiums paid has been set up.

For ex-NBA Pension policies, where the policy carries a provision for waiver of premium, dependent on the deferred period (either 13 weeks or 26 weeks), the mathematical reserve was taken as being equivalent to either four months or seven months current cost charge based on the age nearest birthday at the valuation date, allowing for extra morbidity if applicable.

The liability for Payment Protection Benefits on ex-NAL Pension Plans was taken as one annual premium. The liability for Payment Protection claims in payment was taken as five times the annual premium for the main contract.

For ex-Crown Pensions 2000 Phase 2 final salary arrangements the discount period for initial units is the outstanding period to 20 years for each block of Initial Units and the discount is based on interest only. For money purchase arrangements the discount period for Initial Units is the outstanding term to the Normal Retirement Date or, in the case of AVCs, the Normal Retirement Date less 5 years.

For ex-Crown Retirement Savings Plan & Contracted Out Money Purchase policies the discount period for Initial Units is the outstanding term to the Normal Retirement

Date and for Accumulation Units is the outstanding term to 11 years from the commencement date of the individual account.

A reserve has been held for claims which have not been reported equal to two months expected mortality cost for death claims, three months expected critical illness cost for critical illness claims and seven months PHI cost, all net of reassurance.

Policies have been issued subject to a lien, but no modification has been made to the valuation method.

In the Non Profit Fund additional reserves have been established in Form 53 in respect of ex-OMLA, ex-CCL and ex-Prosperity personal pension policies for the expected liability in respect of policies which were "mis-sold".

Policies previously written in BULA

For non-linked non profit insurance, the gross premium method of valuation has been adopted. For products where the valuation method does not allow for future lapses as outlined in paragraph 4(9), negative reserves have been eliminated.

The mathematical reserve for linked contracts is the value of the units allocated together with reserves in respect of expenses and any additional life cover.

The unit liability is the number of units allocated up to the valuation date, multiplied by the valuation unit price without any discounting. The valuation unit prices are determined from the value of each internal linked fund, calculated in accordance with the note to Form 44, without any adjustments for dealing costs or tax on unrealised capital gains or losses, by dividing by the number of units in issue.

The expense reserves are determined by use of projected cashflows and were set such that no policy would produce a future valuation strain.

For regular premium paying business formerly in the BULA Unit Linked Fund, the aggregate expense reserves were based on the sum of:

- 50% of the higher of the reserve calculated assuming that regular premiums continued to be paid at the current level and the reserve calculated assuming that regular premiums increased automatically in line with the policy conditions
- plus 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

In respect of contracts which consist of two or more separate types of insurance, each type has for valuation purposes been treated separately. In certain cases where two or more contracts have been issued contemporaneously in respect of the same lives, whether in connection with assurances or annuities, such contracts have been treated as a single contract.

Whole life assurances involving more than one life with sums assured payable on the first death have been valued using independent mortality rates. Joint whole life assurances with sums assured payable on the second death have been valued so as to have regard to the likelihood, on the valuation basis, that one or other life has died, or that neither life has died.

An additional reserve has been made of 50 per cent of the amount of all yearly extra premiums payable. This is included in the reserves shown on Forms 50 to 54.

For the following categories of non-linked contracts the net liability has been determined in the manner indicated.

Group Life Assurances & Group Permanent Health

The liability has been taken as the amount of unearned premiums plus a reserve for unpaid amounts relating to profit sharing arrangements, plus a reserve for claims which were incurred but not reported by the valuation date plus a claims in payment reserve.

Where premiums are payable monthly the unearned premium has been taken as one month's premium. For single premiums the unearned premium has been taken as the same proportion of the premium (after allowance for expenses, incurred immediately on payment of the premium) as the unexpired term bears to the original term of the assurance.

The incurred but not reported reserve was calculated as an estimated one and a half month's claims costs.

The reserve for claims in payment paid as an income stream is set up using a chain ladder approach to estimate the ultimate cost of claims from the pattern of past experience.

The reserve for unpaid amounts relating to profit sharing arrangements was calculated as the profit share proportion of the underwriting profit on each contract less any payments already made under the arrangement. The underwriting profit is calculated as premiums earned less claims incurred, this includes the deduction of the company's fee from premiums earned and estimates of outstanding and incurred but not reported claims.

Policies previously written in BRS

A prospective method of valuation has been used for all mathematical reserves other than for those special reserves described below.

The significant classes of business are pension annuities in payment shown in forms 51 and 54. These liabilities are calculated as the present value of the future annuity payments plus the present value of future expenses. Both the value of expenses and index linked annuity payments allow for increases in the level of RPI in the future.

Policies previously written in BA

A prospective valuation method is used to value all policies.

Traditional life contracts are valued using a net premium valuation method, the reserve generally being subject to a minimum of one year's office premium. The net premium is restricted to 90% of the office premium and an explicit expense reserve established where the value of the margin between the net premium and the office premium is insufficient to cover future expected expenses.

Policies issued subject to an extra premium have been valued at true ages and an additional reserve of one year's extra premium has been established.

For certain decreasing term assurance with critical illness business which is reinsured, the mathematical reserves net of reinsurance allow for the level and incidence of reinsurance premium payments.

The mathematical reserves for annuities in payment are calculated as the present value of the future annuity payments plus the present value of future expenses. The value of expenses allow for increases in the level of RPI in the future.

(2) Valuation Interest Rates

Policies previously written in PLL but not in PAL or SLUK

The interest rates used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Linked Life (unrestricted)	3.45%	3.85%
Linked Life (restricted)	3.05%	3.10%
Seniorplan	3.05%	3.10%
Non-linked Whole Life	3.05%	3.10%
Non-linked Life Term Assurance	3.05%	3.10%
Life Annuities in Payment	4.80%	4.35%
Linked Pensions	4.30%	4.35%
Pension Annuities in Payment	4.80%	4.35%
Annuities in Deferment	3.80%	3.85%
Pension Term Assurance	3.80%	3.85%

Policies previously written in PAL

The interest rates used for business that was previously written in PAL were as follows:

Product Group	Current Valuation	Previous Valuation
Term Assurances	3.05%	3.10%
Other Assurances	3.05%	3.10%
Life Annuities In Payment Non Index Linked	3.90%	3.85%
Permanent Health Insurance – Claims In Payment	4.90%	4.35%
Permanent Health Insurance – Other than Claims In Payment	3.80%	3.85%
Pension Term Assurances	3.80%	3.85%
Pension Annuities In Payment Non Index Linked	4.80%	4.35%
Pension Annuities In Payment Index Linked	1.20%	1.40%
Pension Deferred Annuities	3.80%	3.85%

Policies previously written in SLUK

The interest rates used for business that was originally written in Swiss Life (UK) Plc were as follows:

Product Group	Current Valuation	Previous Valuation
Assurances (Life)	3.05%	3.10%
Assurances (Pensions)	3.80%	3.90%
Critical Illness	3.05%	3.08%
Pension Annuities In Payment	4.80%	4.35%
Index-linked Annuities in Payment	1.20%	1.32%
Index-linked Assurances (Life)	0.80%	1.04%
Life Deferred Annuities	3.05%	3.47%
Pension Deferred Annuities	3.80%	3.85%
PHI	3.80%	3.85%
PHI Claims in Payment	4.90%	4.35%

Policies previously written in Alba

The interest rates used for business that was previously written in Alba were as follows:

Product Group	Current Valuation	Previous Valuation
Life Business	3.05%	3.10%
Pensions Business	3.80%	3.90%

Policies previously written in Century

The interest rates used in the valuation of the significant groups of business were as follows

Product Group	Current Valuation	Previous Valuation
Non Linked Whole Life and Endowment Assurance	3.05%	3.10%
Term Assurance		
Life Business	3.05%	3.10%
Pension Business	3.80%	3.85%
Non Linked Deferred Annuity		
Ex With Profit Fund	3.80% / 4.80%	3.85% /4.75%
Ex Non Profit Fund	4.80% / 4.80%	4.50% /4.50%
Ex-NELPEN policies		
First Series	3.80%	3.80%
2nd and 3rd Series	3.80%	3.80%
Immediate annuities		
Ex With Profit Fund	4.80%	4.75%
Ex Non Profit Fund	4.80%	4.50%
Non Linked PHI	3.80%	3.85%
Deposit Administration	3.80%	3.85%
Linked business Sterling Reserves		
Life	3.05%	3.10%
Pension	3.80%	3.80%

Policies previously written in BULA

The interest rates used in the valuation of the significant groups of business were as follows

Product Group	Current Valuation	Previous Valuation
Business formerly in the Unit Linked Fund		
Life	3.05%	3.00%
Pension	3.80%	3.80%
Business formerly in the Non Profit Fund		
Life Business		
Guaranteed Bonus Bonds	3.05%	3.10%
Life Non Profit	3.05%	3.10%
Annuities in Payment	3.90%	3.35%
Deferred Annuities	3.05%	3.10%
Pension Business		
Pensions Term	3.80%	3.85%
Pensions in Payment	4.80%	4.20%
Pensions in Payment (I/L)	1.20%	1.30%
Deferred Pensions	3.80%	3.85%

Policies previously written in BRS

The valuation interest rates for the significant classes are business are:

Product Group	Current Valuation	Previous Valuation
Non-linked annuity non profit (CPA)	4.80%	4.77%
Non-linked annuity non profit (CPA impaired lives)	4.80%	4.77%
Index linked annuity	1.20%	1.62%

Policies previously written in BA

Product Group	Current Valuation	Previous Valuation
BLAGAB		
Decreasing term assurances with critical illness cover	3.05%	3.00%
Pensions Business		
Pension annuities in payment	4.80%	4.26%

(3) Risk Adjustments

The yields on approved securities were not reduced. The yields on non-approved assets were reduced in accordance with INSPRU 3.1.41(R) by making a deduction from the yield dependent on the credit rating of the security.

For the purpose of reducing the yield for default risk, the starting point for the rating is the lower of the ratings provided by Moody's Investors Service and Standard & Poor's Corporation. The credit rating for each bond was reviewed and reduced further as follows:

- if the spread of an individual bond was wider than the average spread for bonds with a rating two or more rating levels lower, the bond was downgraded to the rating its spread implied
- if the spread of an individual bond was wider than the average spread for bonds one rating level lower but not wider than the spread for bonds rated two levels lower, an individual review applied. Resolution Asset Management considered how likely it was that the individual bond would be downgraded and the rating was adjusted on their advice.

No bond ratings were increased in this review. The deductions for risk are:

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%
CCC	No value
NR & NA *	1.00%

* non-rated and un-rated fixed interest securities

i.e. amended yield is y – d where y is the unadjusted yield

The running yield on property and equities is reduced by 2.5% and the yield on interest bearing cash deposits by 0.5%. These adjustments are in addition to the 2.5% required by the regulations.

(4) Mortality Basis

Longevity improvement factors

For immediate annuities in payment and deferred annuities, post vesting where appropriate, a common set of improvement factors have been adopted for all annuities except those originating from BRS. The improvement factors are:

Males	2008	2018	2028	2038	2048	2058
40	1.53%					
50	1.95%	1.78%				
60	2.90%	2.02%	2.00%			
70	3.80%	2.88%	2.43%	2.00%		
80	3.16%	2.85%	2.68%	2.20%	2.00%	
90	1.59%	1.80%	2.27%	2.18%	1.96%	1.95%
100	1.00%	1.03%	1.28%	1.50%	1.50%	1.50%

Females	2008	2018	2028	2038	2048	2058
40	1.32%					
50	1.93%	1.53%				
60	2.45%	1.95%	1.80%			
70	2.89%	2.43%	1.98%	1.80%		
80	2.18%	2.32%	2.20%	1.98%	1.77%	
90	1.10%	1.53%	2.00%	1.96%	1.93%	1.48%
100	0.78%	1.00%	1.05%	1.50%	1.48%	1.25%

Improvement rates for a cohort are read down the diagonal i.e. a 60 year old male will experience an improvement rate of 2.90% in 2008 and 2.88% in 2018, when he would be 70.

In the tables that follow all mortality tables are ultimate.

Policies previously written in PLL but not previously written in PAL or SLUK

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation : M/F bases	Previous Valuation : M/F bases
Linked Life - aggregate	81% AM92 105% AF92	95.8% AM92 110.1% AF92
Linked Life - non-smoker	73% AM92 80% AF92	75.4% AM92 86.3% AF92
Linked Life - smoker	145% AM92 162% AF92	154.2% AM92 187.9% AF92
Seniorplan	138% AM80 138% AF80	140% AM80 140% AF80
Non linked Whole Life	75% AM92 81% AF92	77% AM92 80% AF92
Non linked TA - aggregate	80% TM92 84% TF92	68.3% TM92 89% TF92
Non linked TA - non-smoker	66% TM92 66% TF92	63% TM92 74% TF92
Non linked TA - smoker	156% TM92 182% TF92	126% TM92 142% TF92
Life Fund Annuities in Payment	82.5% IM80 C2010 improving 1.50% p.a. 83.0% IF80 C2010 improving 1.25% p.a.	82.5% IM80 C2010 improving 1.50% p.a. 83.0% IF80 C2010 improving 1.25% p.a.
Pension Annuities in Payment	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Linked Pensions	50% AM92 57% AF92	53.4% AM92 60.1% AF92
Annuities in Deferment	50% AM92 57% AF92	53.4% AM92 60.1% AF92
Pension TA - aggregate	80% TM92 84% TF92	68.3% TM92 89% TF92
Pension TA - non-smoker	66% TM92 66% TF92	63% TM92 74% TF92
Pension TA - smoker	156% TM92 182% TF92	126% TM92 142% TF92

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company.

For life annuities in payment the expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Valuation		Previous Valuation	
Age	Males	Females	Males	Females
65	21.38	24.29	21.38	24.29
75	13.37	15.33	13.37	15.33

For pension annuities in payment, the expectation of life under the current (and previous year) valuation assumptions for sample ages are shown in the table below:

For pension deferred annuities, the expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are shown in the table below:

	Current Age	Expectation of life from Age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	25.54	26.61	24.50	25.66
	75	75	15.57	16.64	15.03	16.18
Deferred annuities	45	65	29.85	30.33	27.86	28.29
	55	65	27.84	28.57	26.13	26.84

Policies previously written in PAL

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation : M/F bases	Previous Valuation : M/F bases
Term Assurances - Aggregate	107.3%TMC00 110.6%TFC00	89.3%TM92 89%TF92
Term Assurances - Non smoker	107.3%TMN00 110.6% TFN00	63%TM92 74% TF92
Term Assurances - Smoker	107.3% TMS00 110.6% TFS00	126% TM92 142% TF92
Whole Life & Endowment	86% AM92 112% AF92	82% AM92 107.1% AF92
Pensions pre-vesting	50% AM92 57% AF92	53.4% AM92 60.1% AF92
Pensions post vesting (including GAOs)	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Pension Annuities currently in payment	Modified PMA92 c2020 Modified PFA92 c2020	Modified PMA92 c2020 Modified PFA92 c2020
Life Fund Annuities in Payment	81.9% IM80 C2010 improving 1.75% p.a. 82.5% IF80 C2010 improving 1.50% p.a.	81.9% IM80 C2010 improving 1.75% p.a. 82.5% IF80 C2010 improving 1.50% p.a.
Life Annuities in deferment	50% AM92 57% AF92	53.4% AM92 60.1% AF92
Permanent Health Insurance	76% TM92 76% TF92	81.0% TM92 80.7% TF92
Linked Life (aggregate)	81% AM92 105% AF92	95.8% AM92 110.1% AF92
Linked Life (non-smoker)	73% AM92 80% AF92	75.4% AM92 86.2% AF92
Linked Life (smoker)	145% AM92 162% AF92	154.2% AM92 188.0% AF92

For life annuities in payment the expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Age	Expectation of life from Age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	22.64	26.12	22.22	25.19
	75	75	14.15	16.45	14.02	16.02
Deferred annuities	45	65	26.96	30.31	26.54	29.26
	55	65	24.75	28.18	24.28	27.17

For pension annuities in payment, the basis is the same as for policies previously written in PLL.

Policies previously written in SLUK

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation : M/F bases	Previous Valuation : M/F bases
Group Spouses Annuities	N/A 95.5% WA92U	N/A 95.5% WA92U
Life Annuities in payment	95.5% IMA92U 95.5% IFA92U	95.5% IMA92U 95.5% IFA92U
Pension Annuities in payment	Modified PMA92 Modified PFA92	95.5% PMA92 95.5% PFA92
Life Deferred Annuities	95.5% IMA92U 95.5% IFA92U	95.5% IMA92U 95.5% IFA92U
Pension Deferred Annuities	Modified PMA92 Modified PFA92	95.5% PMA92 95.5% PFA92
Whole Life and Endowment	72% AM92 72% AM92 -3 yrs	70% AM92 70% AM92 -3 yrs
RICTA	98% TMC00 98% TMC00 -3 yrs	85% TM92 +2 yrs 85% TM92 -1 yr
Group Term Assurance	90.0% TMC00 94.3% TFC00	TM92 TM92 -3 yrs
Individual Life & Pension Term (aggregate)	90% TMC00 94.3% TFC00	90% TM92 90% TF92
Individual Life & Pension Term (non-smoker)	85.6% TMN00 92.1% TFN00	60% TM92 70% TF92
Individual Life & Pension Term (smoker)	87.8% TMS00 95.4% TFS00	140% TM92 140% TF92
Life Unit Linked policies	94% AM92 94% AM92 -3 yrs	AM92 AM92 -3yrs
Pensions Unit Linked policies	83% AM92 83% AM92 -3 yrs	AM92 AM92 -3yrs
Accelerated TPD	See below See below	See below See below
TPD	See below See below	See below See below
Income Protection (pre-claim)	45% TM80 45% AF80	50% A67/70 50% A67/70
Income Protection (post-claim)	81% TM80 81% AF80	90% A67/70 90% A67/70

The mortality/morbidity tables used to value individual policies which include total & permanent disability benefits have not been published. Specimen rates from the tables applicable to non-smokers are given below for the current valuation:

Age	TPD		Term & TPD	
	Males	Females	Males	Females
25	0.000238	0.000238	0.000460	0.000315
35	0.000293	0.000293	0.000544	0.000436
45	0.000900	0.000900	0.001571	0.001256
55	0.003361	0.003361	0.005026	0.004048

Rates for the previous valuation were:

Age	TPD		Term & TPD	
	Males	Females	Males	Females
25	0.000190	0.000190	0.000368	0.000252
35	0.000234	0.000234	0.000435	0.000349
45	0.000720	0.000720	0.001257	0.001005
55	0.002689	0.002689	0.004021	0.003238

All the above rates are increased by 2% p.a. after 5 years from the valuation date.

Annuitant mortality - Expectation of life at the valuation date

Age	Male Modified PMA92	Female Modified	Male Modified IMA92	Female Modified IFA92
65	26.58	26.79	24.88	26.73
75	16.51	16.67	14.93	16.23

Annuitant mortality - Expectation of life at the previous valuation date

Age	Male Modified PMA92	Female Modified	Male Modified IMA92	Female Modified IFA92
65	23.84	26.27	24.41	26.39
75	14.13	16.56	14.82	16.23

Policies previously written in Alba

Percentage of mortality table together with the age adjustments are shown in the table below;

Product Type	Current Valuation		Previous Valuation	
Table	A67/70 %	Female Age Adj	A67/70 %	Female Age Adj
LAS Homeplan Series 1	70%	-4	100%	-4
LAS Homeplan Series 2/3	61%	-4	100%	-4
LAS Investment Plan	83%	-4	100%	-4
LAS Savings Plan	83%	-4	100%	-4
LAS Five Plus Account	83%	-4	100%	-4
LAS SP Bonds	83%	-4	100%	-4
LAS Blueprint	70%	-4	100%	-4
LAS EPP/FPA	77%	-4	100%	-4
LAS Healthcheque	75%	-4	100%	-4
LAS Vitality	100%	n/a	100%	n/a
BL Genesis RP Pensions	88%	none	100%	none
CAPSIL Bonds	94%	-4	100%	-4
CAPSIL Whole of Life	94%	-4	100%	-4
CAPSIL Mortgage Minder	94%	-4	100%	-4
CAPSIL RP Pensions	88%	-4	100%	-4
CAPSIL SP Pensions	94%	-4	100%	-4
COMPASS Bulk Buyouts	99%	none	100%	none
COMPASS GPS	99%	none	100%	none
COMPASS UCGF Bulk Buyouts	99%	none	100%	none
COMPASS UCGF GPS	99%	none	100%	none

Ex-BLAS Contracts

For Blueprint for Security and Vitality contracts, only the terms to the first review dates were taken into account, with the current sums at risk remaining constant over such terms. For level term assurance rider benefits the current sums at risk were taken as constant to expiry. For other annual premium contracts an estimate was made of the terms over which the sums at risk would reduce to nil and it was assumed that the current sums at risk would reduce over such terms in line with the sums at risk for non-profit endowment assurances. For waiver of premium benefits and permanent health benefits the additional AIDS provision was taken as 1% of the annual benefit.

Policies previously written in Century

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation : M/F bases	Previous Valuation : M/F bases
Ex With Profit Fund Non Profit Whole Life and Endowment Assurances	77% A67/70 [1]	75% A67/70 [2]
Ex Non Profit Fund Non Profit Whole Life and Endowment Assurances	77% A67/70 [1]	60% A67/70 [2]
Term Assurance Ex-WP Fund (excluding Ex-NAL)	61% A67/70 [1]	75% A67/70 [2]
Term Assurance Ex-NP Fund (excluding Ex-NAL)		
Aggregate	61% A67/70 [1]	60% A67/70 [2]
Non Smoker	51% A67/70 [1]	50% A67/70 [2]
Smoker	90% A67/70 [1]	90% A67/70 [2]
Term Assurance (Ex-NAL) – Life Assurance, Mortgage Protection & Pensions Life		
Gross Liabilites		
Non Smoker	46% AM80 [3]	53% AM80 [5]
	51% AF80 [4]	58% AF80 [6]
Smoker	81% AM80 [3]	92% AM80 [5]
	89% AF80 [4]	101% AF80 [6]
Net liabilities (pre 30/9/97 business)		
Non Smoker	55% AM80 [3]	59% AM80 [5]
	58% AF80 [4]	64% AF80 [6]
Smoker	93% AM80 [3]	102% AM80 [5]
	100% AF80 [4]	109% AF80 [6]
Net liabilities (1/10/97 to 30/6/00 business)		
Non Smoker	55% AM80 [3]	57% AM80 [5]
	58% AF80 [4]	61% AF80 [6]
Smoker	93% AM80 [3]	97% AM80 [5]
	100% AF80 [4]	107% AF80 [6]
Net liabilities (post 1/7/00 business)		
Non Smoker	51% AM80 [3]	54% AM80 [5]
	56% AF80 [4]	59% AF80 [6]
Smoker	93% AM80 [3]	98% AM80 [5]
	102% AF80 [4]	107% AF80 [6]

[1] AIDS 36.3% R6A (peak) Female age deduction 3 years
[2] AIDS 33% R6A (peak) Female age deduction 3 years
[3] AIDS 27.5% R6A (peak)
[4] AIDS 9.17% R6A (peak)
[5] AIDS 33.3% R6A (peak)
[6] AIDS 11.1% R6A (peak)

Product Group	Current Valuation : M/F bases	Previous Valuation : M/F bases
Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Life Cover only		
Gross liabilities	Table 1 [3,4]	Table 1 [5,6]
Net liabilities (pre 19/3/01 business)	Table 2 [3,4]	Table 2 [5,6]
Net liabilities (post 20/3/01 business)	Table 3 [3,4]	Table 3 [5,6]
Non Linked Deferred Annuity – in deferment		
Ex With Profit Fund business	45% A67/70 [8]	55% A67/70 [8]
Ex Non Profit Fund business	50% A67/70 [8]	60% A67/70 [8]
Ex-NELPEN policies	61% A67/70 [1] plus 100% funding of units	60% A67/70 [2] plus 100% funding of units
Immediate annuities (& deferred annuities - in payment)	Modified PMA92 Modified PFA92	Modified PMA92 Modified PFA92

[1] AIDS 36.3% R6A (peak) Female age deduction 3 years
[2] AIDS 33% R6A (peak) Female age deduction 3 years
[3] AIDS 27.5% R6A (peak)
[4] AIDS 9.17% R6A (peak)
[5] AIDS 33.3% R6A (peak)
[6] AIDS 11.1% R6A (peak)
[8] Female age reduction 3 years

Product Group	Current Valuation	Previous Valuation
Non Linked PHI	61% A67/70 [1]	60% A67/70 [2]
Linked business		
Sterling Reserves with mortality deductions		
Ex-OMLA	94% A67/70 [7]	100% A67/70 [7]
Ex-Sentinel & Ex-UK Life – Non Smokers	61% A67/70 [8]	65.25% A67/70 [8]
Ex-Sentinel & Ex-UK Life – Smokers	91% A67/70 [8]	97.5% A67/70 [8]
Others	70% A67/70 [8]	75% A67/70 [8]
Sterling Reserves without mortality deductions	61% A67/70 [1]	60% A67/70 [2]

[1] AIDS 36.3% R6A (peak) Female age deduction 3 years
[2] AIDS 33% R6A (peak) Female age deduction 3 years
[7] Female age reduction 4 years
[8] Female age reduction 3 years

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced. No additional AIDS reserve was deemed necessary for Group Death in Service benefits by recurrent single premium in view of the limited periods for which the premium rates are guaranteed. No specific provision was made for the minor risk associated with ex-NBA linked 'Bond' business. Ex-NBA pensions death in service benefits are all provided for by monthly current cost deduction from an associated linked fund; as the Company is freely able to review the premium rates charged no provision for AIDS is considered necessary.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

For annuity bases shown above, the expectations of life at age 65 and 75 are shown in the following table:

	Current Age	Expectation of life from Age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	23.21	25.89	19.11	23.53
	75	75	13.73	16.05	10.94	14.67
Deferred annuities	45	65	27.30	29.76	20.44	24.62
	55	65	25.40	27.93	19.86	24.15

For assurances listed above where 'modified table' has been used, sample mortality rates per 1000 lives are shown in the tables below

Table 1 current valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.64	0.38	0.28	0.16
35	0.68	0.38	0.52	0.30
45	1.75	0.77	1.56	0.77
55	5.64	2.41	4.20	2.06

Table 1 previous valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.73	0.43	0.32	0.18
35	0.78	0.43	0.59	0.34
45	1.99	0.87	1.78	0.87
55	6.41	2.74	4.77	2.35

Table 2 current valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.68	0.41	0.29	0.17
35	0.73	0.42	0.54	0.32
45	1.86	0.85	1.63	0.83
55	5.98	2.67	4.37	2.23

Table 2 previous valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.74	0.45	0.32	0.19
35	0.80	0.46	0.59	0.35
45	2.03	0.92	1.77	0.91
55	6.52	2.91	4.77	2.43