

PEARL ASSURANCE PLC

Annual FSA Insurance Returns for the year ended

31 December 2005

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

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

Global business

Financial year ended **31 December 2005**

Adjusted solo solvency calculation

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

Capital resources

Capital resources arising outside the long-term insurance fund	11	960057	482260
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	945057	467260
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	15000	15000

Guarantee fund

Guarantee fund requirement	21	2030	1326
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	12970	13674

Minimum capital requirement (MCR)

General insurance capital requirement	31	3224	3978
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	3224	3978
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	3224	3978
Excess (deficiency) of available capital resources to cover 50% of MCR	37	13388	13011
Excess (deficiency) of available capital resources to cover 75% of MCR	38	12582	12017

Capital resources requirement (CRR)

Capital resources requirement	41	3224	3978
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	11776	11022

Contingent liabilities

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

Covering Sheet to Form 1

Form 1

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

I W Laughlin

Managing Director

J S Moss

Director

W R Treen

Director

Date

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

Global business

Financial year ended **31 December 2005**

Adjusted solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2005	
	1419	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	1257226	1055722
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	945057	467260
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2202283	1522982

Guarantee fund

Guarantee fund requirement	21	439918	451137
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1762365	1071845

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	514978	539634
Resilience capital requirement	32	352457	162177
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	867435	701811
Capital requirements of regulated related undertakings	35	295897	291217
Minimum capital requirement (34+35)	36	1163332	993028
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1497677	1026469
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1329784	778212

Enhanced capital requirement

With-profits insurance capital component	39	450737	48408
Enhanced capital requirement	40	1614069	1041436

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1614069	1041436
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	588214	481546

Contingent liabilities

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

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

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	1419	GL	31	12	2005	£000
			General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		342109	342109	342109
Profit and loss account and other reserves	12	20264	913953	934217	838774
Share premium account	13		40716	40716	40716
Positive valuation differences	14		813528	813528	
Fund for future appropriations	15		269335	269335	601977
Core tier one capital in related undertakings	16		(166375)	(166375)	(193786)
Core tier one capital (sum of 11 to 16)	19	20264	2213266	2233530	1629790

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31	20264	2213266	2233530	1629790
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34	5264		5264	3945
Other negative valuation differences	35				68185
Deductions in related undertakings	36		133923	133923	
Deductions from tier one (32 to 36)	37	5264	133923	139187	72130
Total tier one capital after deductions (31-37)	39	15000	2079343	2094343	1557660

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

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47		129902	129902	129707
Upper tier two capital (44 to 47)	49		129902	129902	129707

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53		60489	60489	
Lower tier two capital (51+52+53)	59		60489	60489	

Total tier two capital before restrictions (49+59)	61		190391	190391	129707
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		190391	190391	129707

Components of capital resources

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1419	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72	15000	2269734	2284734	1687367
Inadmissible assets other than intangibles and own shares	73		3018	3018	79645
Assets in excess of market risk and counterparty limits	74		64433	64433	69740
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79	15000	2202283	2217283	1537982

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81	15000	2202283	2217283	1537982
Available capital resources for 50% MCR requirement	82	15000	2079343	2094343	1537982
Available capital resources for 75% MCR requirement	83	15000	2202283	2217283	1537982

Financial engineering adjustments

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

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

General insurance business

	Company registration number	GL/UK/CM	day	month	year	Units
R11	1419	GL	31	12	2005	£000
			This financial year			Previous year
			1			2
Gross premiums written		11	25			51
Premiums taxes and levies (included in line 11)		12				3
Premiums receivable net of taxes and levies (11-12)		13	25			48
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15				
Sub-total A (13 + 1/2 14 - 2/3 15)		16	25			48
Gross premiums earned		21	25			38
Premium taxes and levies (included in line 21)		22				2
Premiums earned net of taxes and levies (21-22)		23	25			36
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25				
Sub-total H (23 + 1/2 24 - 2/3 25)		26	25			36
Sub-total I (higher of sub-total A and sub-total H)		30	25			48
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	5			9
	Excess (if any) over 50M EURO x 0.02	33				
Sub-total J (32-33)		34	5			9
Claims paid in period of 3 financial years		41	92290			125882
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	198096			201061
	For insurance business accounted for on an accident year basis	43	37661			31994
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44	248491			204815
	For insurance business accounted for on an accident year basis	45	69975			87563
Sub-total C (41+42+43-44-45)		46	9581			66559
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	(54784)			59380
Sub-total D (46-47)		48	64365			7179
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 50% or, if less, 100%)		49	1.00			0.50
Premiums amount (Sub-total J x reinsurance ratio)		50	5			5
Provision for claims outstanding (before discounting and net of reinsurance)		51	26966			33268
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		52	3224			3619
Greater of lines 50 and 52		53	3224			3619

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Long term insurance business

		Company registration number	GL/UK/CM	day month year			Units	
		R11	1419	GL	31	12	2005	£000
				This financial year 1			Previous year 2	
Gross premiums written				11	1982			2284
Premiums taxes and levies (included in line 11)				12				
Premiums receivable net of taxes and levies (11-12)				13	1982			2284
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15	1923			2204
Sub-total A (13 + 1/2 14 - 2/3 15)				16	700			815
Gross premiums earned				21	1993			2308
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	1993			2308
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25	1932			2219
Sub-total H (23 + 1/2 24 - 2/3 25)				26	705			829
Sub-total I (higher of sub-total A and sub-total H)				30	705			829
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure				31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	127			149		
	Excess (if any) over 50M EURO x 0.02	33						
Sub-total J (32-33)				34	127			149
Claims paid in period of 3 financial years				41	1836			1470
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42						
	For insurance business accounted for on an accident year basis	43	2880			2511		
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44						
	For insurance business accounted for on an accident year basis	45	2721			2107		
Sub-total C (41+42+43-44-45)				46	1995			1874
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	1933			1858
Sub-total D (46-47)				48	62			16
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 50% or, if less, 100%)				49	0.50			0.50
Premiums amount (Sub-total J x reinsurance ratio)				50	63			75
Provision for claims outstanding (before discounting and net of reinsurance)				51				
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)				52	93			93
Greater of lines 50 and 52				53	93			93

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

Global business

Financial year ended **31 December 2005**

General insurance business

		Company registration number	GL/UK/CM	day month year			Units	
		R12	1419	GL	31	12	2005	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See PRU 7.2.63R				11	36			36
Claims paid in reference period				21	92290			125882
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	198096			201061
	For insurance business accounted for on an accident year basis			23	37661			31994
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	248491			204815
	For insurance business accounted for on an accident year basis			25	69975			87563
Claims incurred in reference period (21+22+23-24-25)				26	9581			66559
Claims incurred for classes 11, 12 or 13 (included in 26)				27	(7367)			55360
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	5897			94239
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	1966			31413
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	511			8167
	Excess (if any) over 35M EURO x 0.03			33				212
Sub-total G (32-33)				39	511			7955
Claims amount Sub-total G x reinsurance ratio (11.49)				41	511			3978
Higher of premiums amount and brought forward amount (11.53)				42	3224			3619
General insurance capital requirement (higher of lines 41 and 42)				43	3224			3978

Calculation of long term insurance capital requirement - claims amount and resultName of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2005	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See PRU 7.2.63R				11	36			36
Claims paid in reference period				21	1836			1470
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	2880			2511
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	2721			2107
Claims incurred in reference period (21+22+23-24-25)				26	1995			1874
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	1933			1812
Sub-total E (26 +1/2 27 - 2/3 28)				29	706			666
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	235			222
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	61			58
	Excess (if any) over 35M EURO x 0.03			33				
Sub-total G (32-33)				39	61			58
Claims amount Sub-total G x reinsurance ratio (11.49)				41	31			29
Higher of premiums amount and brought forward amount (11.53)				42	93			93
General insurance capital requirement (higher of lines 41 and 42)				43	93			93

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings						11	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	103161	92318
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	375321	366120
	Debts and loans	26	76158	83471
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	3	30596	
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43	4379	4511	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	55852	54832
	Other	46		
Variable interest securities	Approved	47		
	Other	48	45748	
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53	31763		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	93541	62575
	More than one month withdrawal	55	180000	245000
Other financial investments	56			
Deposits with ceding undertakings	57	53	276	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61	208792	199218
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	246	
	Ceded	75		
Dependants	due in 12 months or less	76	(921)	2
	due in more than 12 months	77		
Other	due in 12 months or less	78	26148	40248
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	12516	8486
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	8635	4070
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	97	291

Deductions from the aggregate value of assets	87		
---	-----------	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	1221492	1192014
--	-----------	---------	---------

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	1221492	1192014
Assets in excess of market and counterparty limits	92	60612	64106
Capital resources requirement deduction of regulated related undertakings	93	295896	8132
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94	109907	
Inadmissible assets of regulated related insurance undertakings	95	1889	
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		(27)
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	1689796	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	80221	83544

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11	109579		131403	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	6298	6292
	Debts and loans	26	80000	119191
Other group undertakings	Shares	27	138575	130121
	Debts and loans	28	61081	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2307189	2048181	
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43	1424918	1091530	
Rights under derivative contracts	44	181927	110749	
Fixed interest securities	Approved	45	6032081	6035420
	Other	46	2620268	2535367
Variable interest securities	Approved	47	7626	2299
	Other	48	575826	579748
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	12392		
Other loans	53	9038	12289	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	10428	281539
	More than one month withdrawal	55	41397	194811
Other financial investments	56			
Deposits with ceding undertakings	57	42512	43142	
Assets held to match linked liabilities	Index linked	58	89805	88985
	Property linked	59	35079	33317

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	7520	7382
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	2	
	Ceded	75		
Dependants	due in 12 months or less	76	23575	53809
	due in more than 12 months	77		
Other	due in 12 months or less	78	28671	109620
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	70913	109445
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	140906	134158
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	24745	42633

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	14082351	13901431
--	----	----------	----------

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	14082351	13901431
Assets in excess of market and counterparty limits	92	3821	5633
Capital resources requirement deduction of regulated related undertakings	93		283085
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		136059
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	1130	608
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	19653	
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	14106955	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	146310	174925

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

Global business

Financial year ended **31 December 2005**Category of assets **90:10**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2005		
	1419	GL	31	12	2005	£000	13
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			109579	131403

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	6298	6292
	Debts and loans	26		
Other group undertakings	Shares	27	138575	130121
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2307189	2048181	
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43	1375593	1078806	
Rights under derivative contracts	44	180914	110749	
Fixed interest securities	Approved	45	4142288	4144445
	Other	46	1509330	1512748
Variable interest securities	Approved	47	2572	2299
	Other	48	530519	533731
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	12392		
Other loans	53	9038	12289	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	8421	254249
	More than one month withdrawal	55	36954	183889
Other financial investments	56			
Deposits with ceding undertakings	57	42512	43142	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	35079	33317

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

Global business

Financial year ended **31 December 2005**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	7204	7101
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	2	
	Ceded	75		
Dependants	due in 12 months or less	76	34065	53809
	due in more than 12 months	77		
Other	due in 12 months or less	78	27771	67932
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	66346	102811
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	79503	80710
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	18169	35725

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	10680313	10573749
--	----	----------	----------

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

Global business

Financial year ended **31 December 2005**Category of assets **90:10**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	10680313	10573749
Assets in excess of market and counterparty limits	92	225	146
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	747	608
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	15720	35696

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	80000	119191
Other group undertakings	Shares	27		
	Debts and loans	28	61081	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43	44228	6336	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	78399	99583
	Other	46	16791	20985
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	2007	10859
	More than one month withdrawal	55	2263	8400
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76	3592	
	due in more than 12 months	77		
Other	due in 12 months or less	78	775	13697
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2263	2568
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	7750	1905
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1421	1158

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	300570	284682
--	----	--------	--------

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 BLAGAB**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	300570	284682
Assets in excess of market and counterparty limits	92	3596	5487
Capital resources requirement deduction of regulated related undertakings	93		283085
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		136059
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	383	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	144672	139229

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43	5097	6388	
Rights under derivative contracts	44	1013		
Fixed interest securities	Approved	45	1811394	1791392
	Other	46	1094147	1001634
Variable interest securities	Approved	47	5054	
	Other	48	45307	46017
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		16431
	More than one month withdrawal	55	2180	2522
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	89805	88985
	Property linked	59		

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	316	281
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76	(14082)	
	due in more than 12 months	77		
Other	due in 12 months or less	78	125	27991
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2304	4066
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	53653	51543
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	5155	5750

Deductions from the aggregate value of assets	87		
---	-----------	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	3101468	3043000
--	-----------	----------------	----------------

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 PENSIONS**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2005	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	3101468	3043000
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings.	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	(14082)	

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

Global business

Financial year ended **31 December 2005**Total business/Sub fund **10 Summary**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	12357267	12809591	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	274147	302502	
Long term insurance business fund carried forward (11 to 13)	14	12631414	13112093	
Claims outstanding	Gross	15	68470	55568
	Reinsurers' share	16		
	Net (15-16)	17	68470	55568
Provisions	Taxation	21	61443	31033
	Other risks and charges	22	23865	25219
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	765	2679
	Reinsurance accepted	32	21902	
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	44121	70686
	Other	38	111486	137443
Accruals and deferred income	39	1789	1914	
Provision for "reasonably foreseeable adverse variations"	41		5600	
Total other insurance and non-insurance liabilities (17 to 41)	49	333936	330237	
Excess of the value of net admissible assets	51	1117001	459101	
Total liabilities and margins	59	14082351	13901431	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	10928	42026
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	35079	33317

Total liabilities (11+12+49)	71	12691203	13139828
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	19653	
Other adjustments to liabilities (may be negative)	74	813528	
Capital and reserves and fund for future appropriations	75	1003806	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	14528190	

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

Global business

Financial year ended **31 December 2005**Total business/Sub fund **21 90:10**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	9179486	9735108	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	79000	99000	
Long term insurance business fund carried forward (11 to 13)	14	9258486	9834108	
Claims outstanding	Gross	15	63542	51038
	Reinsurers' share	16		
	Net (15-16)	17	63542	51038
Provisions	Taxation	21	61443	31033
	Other risks and charges	22	23865	25219
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	758	2672
	Reinsurance accepted	32	21902	
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	44121	68326
	Other	38	109008	95196
Accruals and deferred income	39	1092	1361	
Provision for "reasonably foreseeable adverse variations"	41		5600	
Total other insurance and non-insurance liabilities (17 to 41)	49	325826	280540	
Excess of the value of net admissible assets	51	1096001	459101	
Total liabilities and margins	59	10680313	10573749	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6999	8441
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	35079	33317

Total liabilities (11+12+49)	71	9505312	10015648
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2005**Total business/Sub fund **31 0:100 BLAGAB**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	106824	111256	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	154992	158276	
Long term insurance business fund carried forward (11 to 13)	14	261816	269532	
Claims outstanding	Gross	15	2706	2140
	Reinsurers' share	16		
	Net (15-16)	17	2706	2140
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	7	7
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		2360
	Other	38	14344	10095
Accruals and deferred income	39	697	548	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	17754	15150	
Excess of the value of net admissible assets	51	21000		
Total liabilities and margins	59	300570	284682	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	3385	8351
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	124578	126406
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2005**Total business/Sub fund **32 0:100 PENSIONS**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	3070957	2963227	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	40155	45226	
Long term insurance business fund carried forward (11 to 13)	14	3111112	3008453	
Claims outstanding	Gross	15	2222	2390
	Reinsurers' share	16		
	Net (15-16)	17	2222	2390
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	(11866)	32152
Accruals and deferred income	39		5	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	(9644)	34547	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	3101468	3043000	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	544	25234
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	3061313	2997774
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2005**

R15	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2005	£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

Provisions for unearned premiums	11		13
Claims outstanding	12	235758	228541
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	2283
Other technical provisions	16		3946
Total gross technical provisions (11 to 16)	19	235758	234783

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		12000
Deposits received from reinsurers	31			
Creditors	Direct insurance business	41		135
	Reinsurance accepted	42	1697	1666
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45	389602	419602
Amounts owed to credit institutions	46			
Creditors	Taxation	47	1	16349
	Recommended dividend	48		
	Other	49	57777	30107
Accruals and deferred income	51	6419	3244	
Total (19 to 51)	59	691254	717886	
Provision for "reasonably foreseeable adverse variations"	61			
Cumulative preference share capital	62			
Subordinated loan capital	63			
Total (59 to 63)	69	691254	717886	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	416238	446200
---	----	--------	--------

Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82	5264	
Other adjustments (may be negative)	83		
Capital and reserves	84	1003806	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	1689796	

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

Global business

Financial year ended **31 December 2005**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2005	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20	11	4662	4935				
	Equalisation provisions	12	2283	2431				
Transfer from the long term insurance business revenue account		13	66000					
Investment income	Income	14	70017	23295				
	Value re-adjustments on investments	15	399353	31621				
	Gains on the realisation of investments	16	2097					
Investment charges	Investment management charges, including interest	17	277	454				
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19		4898				
Allocated investment return transferred to the general insurance business technical account		20	3927	510				
Other income and charges (particulars to be specified by way of supplementary note)		21	(16845)	(29368)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	523363	27052				
Tax on profit or loss on ordinary activities		31	(157)	(5920)				
Profit or loss on ordinary activities after tax (29-31)		39	523520	32972				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	523520	32972				
Dividends (paid and proposed)		51	70000					
Profit or loss retained for the financial year (49-51)		59	453520	32972				

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

Global business

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

		Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
		R17	1419	GL	31	12	2005	£000	10
		As at the end of this financial year				As at the end of the previous year			
		Assets		Liabilities		Assets		Liabilities	
		1	2	3	4				
Derivative contracts	Fixed-interest securities	11							
	Equity shares	12	140			15			
	Land	13							
	Currencies	14	1362	10560		11131	2814		
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22	8	409		1226	3518		
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	845			214	26		
	Land	33							
	Currencies	34							
	Other	35	179712	7787		98178	12293		
Adjustment for variation margin		41	(140)			(15)			
Total (11 to 41)		49	181927	18756		110749	18651		

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

Global business

Financial year ended **31 December 2005**Category of assets **90:10:00**

		Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
		R17	1419	GL	31	12	2005	£000	13
Derivative contracts			As at the end of this financial year			As at the end of the previous year			
			Assets	Liabilities	Assets	Liabilities			
			1	2	3	4			
Futures contracts	Fixed-interest securities	11							
	Equity shares	12	140		15				
	Land	13							
	Currencies	14	1362	10560	11131	2814			
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22	8	409	1226	3518			
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	845		214	26			
	Land	33							
	Currencies	34							
	Other	35	178699	7787	98178	12293			
Adjustment for variation margin		41	(140)		(15)				
Total (11 to 41)		49	180914	18756	110749	18651			

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

Global business

Financial year ended **31 December 2005**Category of assets **0:100 PENSIONS**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2005	£000	12
Derivative contracts		As at the end of this financial year				As at the end of the previous year			
		Assets 1		Liabilities 2		Assets 3		Liabilities 4	
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35		1013					
Adjustment for variation margin		41							
Total (11 to 41)		49		1013					

With-profits insurance capital component for the fund

Name of insurer **PEARL ASSURANCE PLC**
 With-profits fund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	10680313	10573748
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13	240063	238362
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in the fund	14	10191	10081
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in the fund	15	25083	22785
	Total (11+12-(13+14+15))	19	10404976	10302520
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	8939423	9496745
	Regulatory current liabilities of the fund	22	325826	280541
	Total (21+22)	29	9265249	9777286
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	373617	386529
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32	315374	137783
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		39	9954240	10301598
Regulatory excess capital (19-39)		49	450736	922

Realistic excess capital

Realistic excess capital	51		(47486)
--------------------------	-----------	--	---------

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	450736	48408
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero, else greater of 61 and zero)	64	450736	48408

Realistic balance sheet

Name of insurer **PEARL ASSURANCE PLC**
 With-profits fund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	10404976	10302520
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	321	321
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	45540	54789
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	10450837	10357630
Support arrangement assets	27		
Assets available to the fund (26+27)	29	10450837	10357630

Realistic value of liabilities of fund

With-profits benefit reserve	31	8247780	8240477	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32	151545	143486
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	355637	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	47519	41631
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	29330	18207
	Future costs of contractual guarantees (other than financial options)	41	314291	460767
	Future costs of non-contractual commitments	42	96895	94971
	Future costs of financial options	43	337889	278762
	Future costs of smoothing (possibly negative)	44	52189	54244
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
Other long-term insurance liabilities	47	707077	574694	
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1938674	1547086	
Realistic current liabilities of the fund	51	264383	243908	
Realistic value of liabilities of fund (31+49+51)	59	10450837	10031471	

Realistic balance sheet

Name of insurer **PEARL ASSURANCE PLC**
 With-profits fund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	10450837	10405116
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	10450837	10405116
Risk capital margin for fund (62-59)	65		373645
Realistic excess capital for fund (26-(59+65))	66		(47486)
Realistic excess available capital for fund (29-(59+65))	67		(47486)
Working capital for fund (29-59)	68		326159
Working capital ratio for fund (68/29)	69		0.03

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

Additional amount potentially available for inclusion in line 62	81	588143	470533
Additional amount potentially available for inclusion in line 63	82	84000	79000

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2005
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of the financial year		
		1	Reported	Incurred but not reported	4		
			2	3			
1	Total business	1	25	39475	194234		
2	Total primary (direct) and facultative business	2	15	11718	25943		
3	Total treaty reinsurance accepted business	3	10	27757	168291		

110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4					
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5		3635	2388		
160	Primary (direct) and facultative household and domestic all risks	6		1514	1319		
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7			63		
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8		1657	826		
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9	2	89	74		
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10	13	4820	21273		
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11					
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12					
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13					
350	Total primary (direct) and facultative goods in transit	14		3			
400	Miscellaneous primary (direct) and facultative business	15					
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16	7	25533	166087		
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17	3	2224	2204		
700	Miscellaneous treaty reinsurance accepted business	18					
	Total (lines 4 to 18)	20	25	39475	194234		

General insurance business : Summary of business carried on

Name of insurer PEARL ASSURANCE PLC

Global business

Financial year ended 31 December 2005

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	3	12	2005
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of the financial year		
		1	Reported	Incurred but not reported	4		
			2	3			

Primary (direct) and facultative personal lines business

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23				
114	Personal accident or sickness	24				
121	Private motor - comprehensive	25		2454	1636	
122	Private motor - non-comprehensive	26		1181	752	
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28		1514	1319	
181	Assistance	29				
182	Creditor	30				
183	Extended warranty	31				
184	Legal expenses	32				
185	Mortgage indemnity	33				
186	Pet insurance	34				
187	Other personal financial loss	35			63	

Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42		1657	826	
223	Motor other	43				
261	Commercial property	44	2	59	74	
262	Consequential loss	45		30		
263	Contractors or engineering all risks	46				
271	Employers liability	47	13	2543	16639	
272	Professional indemnity	48				
273	Public and products liability	49		2277	4634	
274	Mixed commercial package	50				
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

Primary (direct) and facultative aviation

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

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1419	GL	31	12	2005
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of the financial year	
			Reported	Incurred but not reported			
		1	2	3		4	

Primary (direct) and facultative marine and transport

341	Marine liability	64				
342	Marine hull	65				
343	Energy (on and off-shore)	66				
344	Protection and indemnity	67				
345	Freight demurrage and defence	68				
346	War risks	69				
347	Yacht	70				
350	Total primary (direct) and facultative goods in transit (equals line 14)	71		3		

Primary (direct) and facultative miscellaneous

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

Non-proportional treaty

510	Non-proportional accident and health	81		1	1	
520	Non-proportional motor	82		323	272	
530	Non-proportional aviation	83				
540	Non-proportional marine	84				
550	Non-proportional transport	85		3	2	
560	Non-proportional property	86		56	47	
570	Non-proportional liability (non-motor)	87	7	25142	165758	
580	Non-proportional financial lines	88		8	7	
590	Non-proportional aggregate cover	89				

Proportional treaty

610	Proportional accident and health	91				
620	Proportional motor	92				
630	Proportional aviation	93				
640	Proportional marine	94		2101	2101	
650	Proportional transport	95				
660	Proportional property	96		38	32	
670	Proportional liability (non-motor)	97	3	54	45	
680	Proportional financial lines	98		31	26	
690	Proportional aggregate cover	99				

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101				
-----	---	-----	--	--	--	--

	Total (lines 21 to 101)	111	25	39475	194234	
--	--------------------------------	------------	-----------	--------------	---------------	--

General insurance business : Technical account (excluding equalisation provisions)

Name of insurer PEARL ASSURANCE PLC

Global business

Financial year ended 31 December 2005

Total business

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2005	£000	1
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11				13		38	
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19					13		38
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21				6		267	
	Claims incurred (22.13.4)	22				17069		1379	
	Claims management costs (22.14.4)	23				220		(1161)	
	Adjustment for discounting (22.51.4)	24				5264			
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26				(10)		(267)	
	Balance (21-22-23+24+25-26)	29				(12009)		316	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				12731		4071	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39				12731		4071	
Balance of all years' underwriting (19+29+39)		49				735		4425	
Allocated investment income		51				3927		510	
Transfer to non-technical account (49+51)		59				4662		4935	

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

Global business

Financial year ended **31 December 2005****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2005	£000	2
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11			13		38		
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19			13		38		
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21			6		267		
	Claims incurred (22.13.4)	22			17069		1379		
	Claims management costs (22.14.4)	23			220		(1161)		
	Adjustment for discounting (22.51.4)	24			5264				
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26			(10)		(267)		
	Balance (21-22-23+24+25-26)	29			(12009)		316		
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31			11364		266		
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39			11364		266		
Balance of all years' underwriting (19+29+39)				49			(632)		620
Allocated investment income				51			3331		407
Transfer to non-technical account (49+51)				59			2699		1027

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

Global business

Financial year ended **31 December 2005****Total treaty reinsurance accepted business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number
		R20	1419	GL	31	12	2005 £000	3
Items to be shown net of reinsurance			This financial year				Previous year	
			1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11						
	Claims incurred (22.17.4)	12						
	Claims management costs (22.18.4)	13						
	Adjustment for discounting (22.52.4)	14						
	Increase in provision for unexpired risks (22.19.4)	15						
	Other technical income or charges (particulars to be specified by way of supplementary note)	16						
	Net operating expenses (22.42.4)	17						
	Balance of year's underwriting (11-12-13+14-15+16-17)	19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21						
	Claims incurred (22.13.4)	22						
	Claims management costs (22.14.4)	23						
	Adjustment for discounting (22.51.4)	24						
	Other technical income or charges (particulars to be specified by way of supplementary note)	25						
	Net operating expenses (22.41.4)	26						
	Balance (21-22-23+24+25-26)	29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				1367	3805	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32						
	Total	39				1367	3805	
Balance of all years' underwriting (19+29+39)		49				1367	3805	
Allocated investment income		51				596	103	
Transfer to non-technical account (49+51)		59				1963	3908	

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

Global business

Financial year ended **31 December 2005****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2005	£000	270
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	13				38		
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
Balance of year's underwriting (11-12-13+14-15+16-17)	19	13				38			
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21	6				4		
	Claims incurred (22.13.4)	22	12950				1667		
	Claims management costs (22.14.4)	23	165				(1297)		
	Adjustment for discounting (22.51.4)	24	3725						
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26					(23)		
Balance (21-22-23+24+25-26)	29	(9384)				(343)			
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)	49	(9371)				(305)			
Allocated investment income	51					99			
Transfer to non-technical account (49+51)	59	(9371)				(206)			

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

Global business

Financial year ended **31 December 2005****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number
		R20	GL	31	12	2005	£000	409
Items to be shown net of reinsurance			This financial year				Previous year	
				1			2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11					
	Claims incurred (22.17.4)		12					
	Claims management costs (22.18.4)		13					
	Adjustment for discounting (22.52.4)		14					
	Increase in provision for unexpired risks (22.19.4)		15					
	Other technical income or charges (particulars to be specified by way of supplementary note)		16					
	Net operating expenses (22.42.4)		17					
	Balance of year's underwriting (11-12-13+14-15+16-17)		19					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21					263
	Claims incurred (22.13.4)		22			4119		(288)
	Claims management costs (22.14.4)		23			55		136
	Adjustment for discounting (22.51.4)		24			1539		
	Other technical income or charges (particulars to be specified by way of supplementary note)		25					
	Net operating expenses (22.41.4)		26			(10)		(244)
	Balance (21-22-23+24+25-26)		29			(2625)		659
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31			11364		266
	Other technical income or charges (particulars to be specified by way of supplementary note)		32					
	Total		39			11364		266
Balance of all years' underwriting (19+29+39)			49			8739		925
Allocated investment income			51			3331		308
Transfer to non-technical account (49+51)			59			12070		1233

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

Global business

Financial year ended **31 December 2005****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2005	£000	500
Items to be shown net of reinsurance			This financial year 1				Previous year 2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11							
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22							
	Claims management costs (22.14.4)	23							
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
	Balance (21-22-23+24+25-26)	29							
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				(7)		2026	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39				(7)		2026	
Balance of all years' underwriting (19+29+39)		49				(7)		2026	
Allocated investment income		51						64	
Transfer to non-technical account (49+51)		59				(7)		2090	

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

Global business

Financial year ended **31 December 2005****Balance of all treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number
	R20	1419	GL	31	12	2005	£000	709
Items to be shown net of reinsurance			This financial year				Previous year	
			1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11					
	Claims incurred (22.17.4)		12					
	Claims management costs (22.18.4)		13					
	Adjustment for discounting (22.52.4)		14					
	Increase in provision for unexpired risks (22.19.4)		15					
	Other technical income or charges (particulars to be specified by way of supplementary note)		16					
	Net operating expenses (22.42.4)		17					
Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21					
	Claims incurred (22.13.4)		22					
	Claims management costs (22.14.4)		23					
	Adjustment for discounting (22.51.4)		24					
	Other technical income or charges (particulars to be specified by way of supplementary note)		25					
	Net operating expenses (22.41.4)		26					
Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31				1374	1779
	Other technical income or charges (particulars to be specified by way of supplementary note)		32					
	Total		39				1374	1779
Balance of all years' underwriting (19+29+39)			49				1374	1779
Allocated investment income			51				596	39
Transfer to non-technical account (49+51)			59				1970	1818

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

PEARL ASSURANCE PLC

Name of insurer

Global business

Financial year ended

31 December 2005

Total business

	R21	Company registration number	GL/UK/CM	day month year			Units	Category number
				31	12	2005		
		1419	GL			£000	1	
		Gross premiums written		Reinsurers' share			Net of reinsurance	
		Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Unearned at end of this financial year
		1	3	5	6	5	5	6
Premiums receivable during the financial year								
In respect of risks incepted in previous financial years	11	13	7			6		
		Earned in this financial year	Earned in this financial year	Earned in this financial year	Earned in this financial year	Earned in this financial year	Earned in this financial year	Unearned at end of this financial year
		1	3	5	6	5	5	6
In respect of risks incepted in previous financial years	12							
In respect of risks incepted in this financial year	13							
For periods of less than 12 months	14							
For periods of 12 months	15							
For periods of more than 12 months	16	13						13
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	19	13						13
Total (12 to 16)								

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

PEARL ASSURANCE PLC

Name of insurer

Global business

Financial year ended 31 December 2005

Total primary (direct) and facultative business

	R21	Company registration number	GL/UK/CM	day month year			Units	Category number
				31	12	2005		
		1419	GL			£000	2	
		Gross premiums written	Earned in previous financial years	Reinsurers' share	Net of reinsurance			
			1	3	5			
	11		13	7	6			
		Earned in this financial year	Unearned at end of this financial year	Earned in this financial year	Unearned at end of this financial year			
		1	1	3	5	6		
	12							
	13							
	14							
	15							
	16		13		13			
	19		13		13			

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

PEARL ASSURANCE PLC

Name of insurer

Global business

Financial year ended **31 December 2005**

Total primary (direct) and facultative commercial lines liability business

	Company registration number	GL/UK/CIM	day month year			Units	Category number
			31	12	2005		
	1419	GL	31	12	2005	£000	270
			Gross premiums written				
			Reinsurers' share				
			Net of reinsurance				
Premiums receivable during the financial year			Earned in previous financial years 1	Earned in previous financial years 3	Earned in previous financial years 5		
In respect of risks incepted in previous financial years	11		13	7	6		
			Earned in this financial year	Earned in this financial year	Earned in this financial year	Unearned at end of this financial year	Unearned at end of this financial year
In respect of risks incepted in previous financial years	12		1	3	5	6	
In respect of risks incepted in this financial year	13						
In respect of risks incepted in this financial year	14						
In respect of risks incepted in previous financial years	15						
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	16		13			13	
Total (12 to 16)	19		13			13	

General insurance business (accident year accounting) : Analysis of premiums**PEARL ASSURANCE PLC**

Name of insurer

Global business

Financial year ended **31 December 2005****Reporting category**

Reporting category	Company registration number	GL/UK/CM	day month year			Units	Category number
			31	12	2005		
	1419	GL	31	12	2005	£000	709
			Gross premiums written			Net of reinsurance	
Premiums receivable during the financial year			Earned in previous financial years 1			Earned in previous financial years 5	
			Reinsurers' share				
			Earned in previous financial years 3			Earned in previous financial years 5	
In respect of risks incepted in previous financial years	11		Unearned at end of this financial year			Unearned at end of this financial year	
			Earned in this financial year 1			Earned in this financial year 5	
In respect of risks incepted in previous financial years	12		Unearned at end of this financial year			Unearned at end of this financial year	
			Unearned at end of this financial year 2			Unearned at end of this financial year 4	
In respect of risks incepted in this financial year	13		For periods of less than 12 months				
			For periods of 12 months				
			For periods of more than 12 months				
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	16						
Total (12 to 16)	19						

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

Name of company **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2005	£000	1
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	29875		5017		37658	12800	
	Reinsurers' share	12	22755		4458		14028	(4269)	
	Net (11-12)	13	7120		559		23630	17069	
	Claims management costs	14			220			220	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(10)			(10)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(10)			(10)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31					5264	5264	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39					5264	5264	
Split of line 29	Prior financial years	41			(10)			(10)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51					5264	5264	
	Incidents occurring in this financial year	52							

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

Name of company **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2005	£000	2
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		29875	5017		37658	12800	
	Reinsurers' share	12		22755	4458		14028	(4269)	
	Net (11-12)	13		7120	559		23630	17069	
	Claims management costs	14			220			220	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(10)			(10)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(10)			(10)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31					5264	5264	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39					5264	5264	
Split of line 29	Prior financial years	41			(10)			(10)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51					5264	5264	
	Incidents occurring in this financial year	52							

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

Name of company PEARL ASSURANCE PLC

Global business

Financial year ended 31 December 2005

Total primary (direct) and facultative commercial lines liability business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2005	£000	270
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		8165	1009		19182	12026	
	Reinsurers' share	12		2502	446		1132	(924)	
	Net (11-12)	13		5663	563		18050	12950	
	Claims management costs	14			165			165	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23							
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29							
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31					3725	3725	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39					3725	3725	
Split of line 29	Prior financial years	41							
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51					3725	3725	
	Incidents occurring in this financial year	52							

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

Name of company **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2005	£000	409
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	21710		4008		18476	774	
	Reinsurers' share	12	20253		4012		12896	(3345)	
	Net (11-12)	13	1457		(4)		5580	4119	
	Claims management costs	14			55			55	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(10)			(10)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(10)			(10)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31					1539	1539	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39					1539	1539	
Split of line 29	Prior financial years	41			(10)			(10)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51					1539	1539	
	Incidents occurring in this financial year	52							

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		8	9	GL	day month year			Units	Category number
							Reported (net)	Incurred but not reported (net)				31	12	2005		
Total business																
12	2005	11									10	11	13	12		1
12	2004	12										305				
12	2003	13										250				
12	2002	14										13485				
12	2001	15		193								(5809)		(100.0)		(144.2)
12	2000	16		29949	17039							96080		(43.1)		51.8
12	1999	17		29998	14160							89868		(52.8)		50.0
12	1998	18		27014	19268							83787		(28.7)		59.3
12	1997	19		24514	15786							84556		(35.6)		51.6
12	1996	20		27050	21384							101187		(20.9)		53.5
Prior accident years						559	2393	21237	4734	17069	5264					
Reconciliation																
Total (11 to 22)						559	2393	21237	4734	17069	5264					

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total primary (direct) and facultative business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		8	9	10	12 2005		£000	002	
							1419	GL				31	12			2005
			Claims paid (net) during the accident year		Claims outstanding (net) at end of accident year	Total claims paid (net) since the end of the accident year but prior to this financial year	Claims paid (net) during this financial year	Reported (net)	Incurred but not reported (net)	Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %			
			R23		R23		R23		R23		R23		R23		R23	
	12	2005														
	12	2004														
	12	2003														
	12	2002														
	12	2001														
	12	2000														
	12	1999														
	12	1998														
	12	1997														
	12	1996														
Prior accident years																
Reconciliation																
Total (11 to 22)																

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total primary (direct) and facultative commercial lines liability business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		9	GL	day month year			Units	Category number
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)			31	12	2005		
			Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %		
12	2005	11				4	5	6	7	8	9	10	11	12	13		
12	2004	12											13				
12	2003	13											42				
12	2002	14											506				
12	2001	15	(849)										(9890)			8.6	
12	2000	16	133	3795	269								3658	(92.9)		11.0	
12	1999	17	100	4842	807								3356	(83.3)		27.0	
12	1998	18	118	3362	1442								3028	(57.1)		51.5	
12	1997	19	144	2146	813								3064	(62.1)		31.2	
12	1996	20	146	2891	1268								2978	(56.1)		47.5	
Prior accident years						563	1598	16452	1732	3931	12950	3725					
Reconciliation																	
Total (11 to 22)						563	1598	16452	1732	3931	12950	3725					

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

Name of insurer PEARL ASSURANCE PLC

Global business

Financial year ended 31 December 2005

Balance of all primary (direct) and facultative business

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	GL/UK/CM	day month year		Units	Category number
							Reported (net)	Incurred but not reported (net)			31	12		
	12	2005	11						9	GL	11		12	409
	12	2004	12								263			
	12	2003	13								250			
	12	2002	14								12979			
	12	2001	15	193							4081	(100.0)	226.1	
	12	2000	16	28154	16770						92432	(35.9)	53.5	
	12	1999	17	25156	13353						86512	(46.9)	50.9	
	12	1998	18	23652	17826						80759	(24.6)	59.6	
	12	1997	19	22368	14973						81492	(33.1)	52.3	
	12	1996	20	24159	20116						98209	(16.7)	53.7	
Prior accident years		21		795		(4)	654	803	4119	1539				
Reconciliation		22												
Total (11 to 22)		29		795		(4)	654	803	4119	1539				

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total business

	Company registration number		GL/UK/CM		day month year			Units			Category number			
	1419		GL		2005			£000						
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY				
	R24	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	001
		12	01	12	02	12	03	12	04	12	05	12	06	Total all previous columns
		29	29	12	96	12	97	12	98	12	99	12	00	
		11	12											12
Premiums written	Underwriting year ended	12	7											7
		19	5											5
Claims paid		21	11028											11028
		22	6218											6218
		29	4810											4810
Claims management costs		39	1615											1615
		41												
Net operating expenses		42												
		43	1271											1271
		44												
		49	1271											1271
		51	26355											26355
Technical provisions		52	2601											2601
		53	3332											3332
		54												
		59	(20422)											(20422)
Balance on each underwriting year (19-29-39-49-59)		69	12731											12731

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total primary (direct) and facultative business

	Company registration number		GL/UK/CM		day month year			Units			Category number	
	1419		GL		2005			£000				
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		
	R24	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns
		12	01	12	02	12	03	12	04	12	05	99 99
		12	00	12	00	12	00	12	00	12	00	2
		12	99	12	99	12	99	12	99	12	99	2
		12	98	12	98	12	98	12	98	12	98	2
		12	97	12	97	12	97	12	97	12	97	2
		12	96	12	96	12	96	12	96	12	96	2
		20	29									
		11										2
		12										
		19										2
		21										3182
		22										100
		29										3082
		39										1066
		41										
		42										
		43										996
		44										
		49										996
		51										19107
		52										2601
		53										
		54										
		59										(16506)
		69										11364

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total treaty reinsurance accepted business

	Underwriting year ended	Company registration number												GL UK/ CM			Units			Category number								
		R24		1419		GL		31 12 2005		£000		Total all previous columns		MM	YY	MM	YY	MM	YY									
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY								MM	YY						
		Prior underwriting years	29	29	12	96	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	99	99	003	
			11	10																								
Premiums written		Gross amount	11	10																								
		Reinsurers' share	12	7																								
		Net (11-12)	19	3																								
Claims paid		Gross amount	21	7846																								
		Reinsurers' share	22	6118																								
		Net (21-22)	29	1728																								
Claims management costs			39	549																								
Net operating expenses		Commissions	41																									
		Other acquisition expenses	42																									
		Administrative expenses	43	275																								
		Reinsurers' commissions and profit participations	44																									
		Payable net (41+42+43-44)	49	275																								
		Brought forward	51	7248																								
		Adjustment for discounting	52																									
Technical provisions		Carried forward	53	3332																								
		Adjustment for discounting	54																									
		Increase (decrease) in the financial year (53-54-51+52)	59	(3916)																								
		Balance on each underwriting year (19-29-39-49-59)	69	1367																								

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

Name of insurer PEARL ASSURANCE PLC

Global business

Financial year ended 31 December 2005

Balance of all primary (direct) and facultative business

	Underwriting year ended		Prior underwriting years		Company registration number		GL/UK/CM		day month year				Units		Category number
	11	12	29	29	R24		1419		31 12 2005		£000		409		
					MM	YY	MM	YY	MM	YY	MM	YY		MM	
Gross amount			2											Total all previous columns	
Premiums written														99 99	
Reinsurers' share														2	
Net (11-12)			2											2	
Gross amount														3182	
Reinsurers' share														100	
Net (21-22)														3082	
Claims management costs														1066	
Commissions															
Other acquisition expenses															
Administrative expenses														996	
Reinsurers' commissions and profit participations															
Payable net (41+42+43-44)														996	
Brought forward														19107	
Adjustment for discounting														2801	
Carried forward															
Adjustment for discounting															
Increase (decrease) in the financial year (53-54-51+52)														(16506)	
Balance on each underwriting year (19-29-39-49-59)														11364	

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Balance of all treaty reinsurance accepted business

	Company registration number										GL/UK/CM			day month year			Units			Category number
	R24			1419			GL			31 12 2005			£000			Total all previous columns				
	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY		99	99		
29	29	3	29	29	3	29	29	3	29	29	3	29	29	3	29	29	3			
Underwriting year ended																				
Premiums written	11																			
Reinsurers' share	12																			
Net (11-12)	19																		3	
Claims paid	21																		1719	
Reinsurers' share	22																			
Net (21-22)	29																		1719	
Claims management costs	39																		547	
Commissions	41																			
Other acquisition expenses	42																			
Administrative expenses	43																		275	
Reinsurers' commissions and profit participations	44																			
Payable net (41+42+43-44)	49																		275	
Technical provisions	Brought forward	51																	7236	
	Adjustment for discounting	52																		
	Carried forward	53																	3324	
Balance on each underwriting year (19-29-39-49-59)	Increase (decrease) in the financial year (53-54-51+52)	54																		
		59																	(3912)	
	69																		1374	

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total business

	Underwriting year ended	Company registration number			GL/UK/CM			day month year			Units			Category number																									
		R25			1419			GL			31 12 2005				£000																								
		MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY		MM	YY	YY	Total all previous columns																					
Reported claims outstanding			Prior underwriting years	29	29		12	96	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	89	99	27757										
	11																																27757						
Reinsurers' share	12																																27059						
Claims incurred but not reported	13																																168291						
Reinsurers' share	14																																167705						
Claims management costs	15																																2048						
Adjustment for discounting	16																																						
Claims management costs	17																																						
Allocation to/(from) another risk category of anticipated surplus	18																																						
Balance of the fund	19																																						
Claims outstanding (11-12+13-14+15-16+17-18+19+20)	20																																						
Provision for unearned premiums	21																																					3332	
Provision for unexpired risks	22																																						
Deferred acquisition costs	23																																						
Other technical provisions (particulars to be specified by way of supplementary note)	24																																						
Total (21+22+23-24+25)	25																																						
Total (21+22+23-24+25)	29																																						3332

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total treaty reinsurance accepted business

	Underwriting year ended	Company registration number												Prior underwriting years	GL/UK/CM			day month year			Units			Category number	
		1419			31			12			2005				E000										
		MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY		MM	YY	YY								
		12	96	12	97	12	98	12	99	12	00	12	01		12	02	12	03	12	04	12	05	MM		YY
		R25												GL											003
																									Total all previous columns
	11																								
	12																								
	13																								
	14																								
	15																								
	16																								
	17																								
	18																								
	19																								
	20																								
	21																								3332
	22																								
	23																								
	24																								
	25																								
	29																								3332

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Total non-proportional treaty reinsurance business accepted

	Company registration number		GL/UK/CM		day month year			Units			Category number																
	1419		GL		31 12 2005			£000																			
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY																	
Underwriting year ended																											
	Prior underwriting years	29	29	12	96	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	98	99		
		24962																								24962	
Reported claims outstanding		11																								24958	
	Gross amount																										
	Reinsurers' share																										
Claims incurred but not reported		13																								165608	
	Gross amount																										
	Reinsurers' share																										165604
Claims management costs		15																									
	Gross amount																										
	Reinsurers' share																										
Adjustment for discounting		17																									
	Gross amount																										
	Reinsurers' share																										
Claims management costs		18																									
Allocation to/(from) another risk category of anticipated surplus		19																									
Balance of the fund		20																									
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21		8																							8
Provision for unearned premiums		22																									
Provision for unexpired risks		23																									
Deferred acquisition costs		24																									
Other technical provisions (particulars to be specified by way of supplementary note)		25																									
Total (21+22+23-24+25)		29		8																						8	

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Balance of all treaty reinsurance accepted business

	Underwriting year ended	Prior underwriting years	Company registration number											GL UK/ CM	day month year			Units	Category number
			1419			2005			R25			£000			Total all previous columns				
			MM	YY	GL	MM	YY	GL	MM	YY	GL	MM	YY			GL	MM		
		29 29	12 96	12 97	12 98	12 99	12 00	12 01	12 02	12 03	12 04	12 05	12 05	89 99	709				
Reported claims outstanding		2795													2795				
	Gross amount																		
	Reinsurers' share	2101													2101				
Claims incurred but not reported		2683													2683				
	Gross amount																		
	Reinsurers' share	2101													2101				
Claims management costs		2048													2048				
	Gross amount																		
	Reinsurers' share																		
	Claims management costs																		
Allocation to/(from) another risk category of anticipated surplus																			
Balance of the fund																			
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		3324													3324				
Provision for unearned premiums																			
Provision for unexpired risks																			
Deferred acquisition costs																			
Other technical provisions (particulars to be specified by way of supplementary note)																			
Total (21+22+23-24+25)		3324													3324				

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses by risk category for treaty reinsurance

Name of insurer **PEARL ASSURANCE PLC**
 Global business

Currency **US Dollar**

Financial year ended **31 December 2005**

Non-proportional liability (non-motor)

	Company registration number												GL/UK/CM			day month year			Monetary units			Category number			Currency code
	R28			1419			GL			31 12 2005			000			570			USD						
	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY		Total all previous columns					
	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	MM	YY	YY	99	99		
	29	29	12	12	96	12	12	97	12	12	98	12	12	99	12										
	11	12																					12		
Premiums written																							12		
Gross amount																									
Reinsurers' share																									
Net (11-12)																									
Gross amount																							10541		
Reinsurers' share																							10525		
Net (21-22)																							15		
Claims management costs																							3		
Commissions																									
Other acquisition expenses																									
Administrative expenses																									
Reinsurers' commissions and profit participations																									
Payable net (41+42+43-44)																									
Brought forward																							20		
Undiscounted																									
Adjustment for discounting																									
Carried forward																							14		
Undiscounted																									
Adjustment for discounting																									
Increase (decrease) in the financial year (53-54-51+52)																							(6)		
Balance on each underwriting year (19-29-39-49-59)																							(12)		

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses by risk category for treaty reinsurance

Name of insurer PEARL ASSURANCE PLC

Currency US Dollar

Global business

Financial year ended 31 December 2005

Non-proportional liability (non-motor)

	Company registration number						GL/UK/CM						day month year						Monetary units						Category number						Currency code					
	R28		1419		GL		31		12		2005		000		570		USD																			
	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY																		
Underwriting year ended	12	84	12	85	12	86	12	87	12	88	12	89	12	90	12	91	12	92	12	93	12	94	12	95												
Gross amount	11																																			
Premiums written																																				
Reinsurers' share				12																																
Net (11-12)	19																																			
Gross amount	21			10527																																
Reinsurers' share	22			10525																																
Net (21-22)	29			2																																
Claims management costs	39																																			
Commissions	41																																			
Other acquisition expenses	42																																			
Administrative expenses	43																																			
Reinsurers' commissions and profit participations	44																																			
Payable net (41+42+43-44)	49																																			
Brought forward	51			9																																
Adjustment for discounting	52																																			
Carried forward	53																																			
Adjustment for discounting	54																																			
Increase (decrease) in the financial year (53-54-51+52)	59			(9)																																
Balance on each underwriting year (19-29-39-49-59)	69			7										(0)		(2)	(15)					(2)		(2)												

General insurance business (underwriting year accounting) : Analysis of technical provisions by risk category for treaty reinsurance

Name of insurer **PEARL ASSURANCE PLC** Currency **US Dollar**

Global business

Financial year ended **31 December 2005**

Non-proportional liability (non-motor)

	Prior underwriting years	Company registration number												GL/UK/CMI	day month year			Monetary units			Category number	Currency code						
		1419				R29				GL					31 12 2005			000					570					
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		MM	YY	MM	YY	MM	YY			MM	YY	MM	YY	MM	YY
Underwriting year ended																												
Reported claims outstanding		29	29	12	96	12	97	12	98	12	99	12	00	12	01	12	02	12	03	12	04	12	05	12	05	89	89	USD
Gross amount	11	42945																									42945	
Reinsurers' share	12	42938																									42938	
Claims incurred but not reported	13	284912																									284912	
Reinsurers' share	14	284905																									284905	
Claims management costs	15																											
Adjustment for discounting	16																											
Allocation to/(from) another risk category of anticipated surplus	17																											
Balance of the fund	18																											
Claims outstanding (11-12+13-14+15-16+17-18+19+20)	19	14																									14	
Provision for unearned premiums	20																											
Provision for unexpired risks	21																											
Deferred acquisition costs	22																											
Other technical provisions (particulars to be specified by way of supplementary note)	23																											
Total (21+22+23-24+25)	24	14																									14	

General insurance business (underwriting year accounting) : Analysis of technical provisions by risk category for treaty reinsurance

Name of insurer PEARL ASSURANCE PLC

Currency US Dollar

Global business

Financial year ended 31 December 2005

Non-proportional liability (non-motor)

	Company registration number												GL UK/ CM	day month year			Monetary units			Category number	Currency code
	R29			1419			GL			000				570			USD				
	MM	YY		MM	YY		MM	YY		MM	YY			MM	YY		MM	YY			
Underwriting year ended																					
Reported claims outstanding	Gross amount	12	84	12	85	12	86	12	87	12	88										
	Reinsurers' share				42938																
Claims incurred but not reported	Gross amount																				
	Reinsurers' share				284905																
Claims management costs	Gross amount																				
	Reinsurers' share																				
Adjustment for discounting	Gross amount																				
	Reinsurers' share																				
Allocation to/(from) another risk category of anticipated surplus	Gross amount																				
	Reinsurers' share																				
Balance of the fund	Gross amount																				
	Reinsurers' share																				
Claims outstanding (11-12+13-14+15-16+17-18+19+20)	Gross amount																				
	Reinsurers' share																				
Provision for unearned premiums	Gross amount																				
	Reinsurers' share																				
Provision for unexpired risks	Gross amount																				
	Reinsurers' share																				
Deferred acquisition costs	Gross amount																				
	Reinsurers' share																				
Other technical provisions (particulars to be specified by way of supplementary note)	Gross amount																				
	Reinsurers' share																				
Total (21+22+23-24+25)																					

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

Name of insurer

PEARL ASSURANCE PLC

Global business

Financial year ended

31 December 2005

Company registration number
1419
GL
UK
CM
day month year
31 12 2005
Units
£000

Major currencies	Reporting territory code	Total admissible assets as shown on Form 13	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	Expected income from assets included in column 2	Yield %	Technical provisions	Provision for outstanding claims being discounted		Unwind in the discount in the next financial year	Rates of interest at which the provision is being discounted		
							Before deduction for discounting	Deduction for discounting		Highest	Lowest	Average rate
		1	2	3	4	5	6	7	8	9	10	11
US Dollars		4964				159						
Sterling		1006439	17926	762	4.3	21544	23190	5264	225	3.5	3.5	3.5
Other currencies		1297										
Total		1012700	17926			21703	23190	5264	225			

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

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**Company registration number **1419** GL/UK/CM
day month year **31 12 2005** Units **£000**

Type of asset	R30	Company registration number	GL/UK/CM	GL	day month year		Yield %
					31	12 2005	
		Value of admissible assets as shown on Form 13		Admissible assets hypothecated to cover the provision for outstanding claims being discounted	Expected income from assets included in column 2		
		1		2	3		4
Land and buildings	31						
Fixed interest securities		56238					
Variable interest and variable yield securities (excluding items shown at line 36)		47834					
Equity shares and holdings in collective investment schemes	36	4382					
Loans secured by mortgages	37						
All other assets		394472		17926	762	4.3	
		509773					
Total	49	1012700		17926	762	4.3	

General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance

Name of insurer **PEARL ASSURANCE PLC** Currency **British Pound**
 Global business **United Kingdom other than home foreign**

Financial year ended **31 December 2005**

Reporting Territory

Reporting Territory **United Kingdom other than home foreign**

Company registration number **1419** GL/UK/CM **GL** day month year **31 12 2005** Monetary units **000** Category number **271** Currency code **GBP** Reporting territory code **AA**

Employers liability

Accident year ended	Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %	
	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	In this financial year	Reported	In this financial year				
Month	Year	1	2	3	4	5	6	7	8	9	10	11
12	2005	11										
12	2004	12										
12	2003	13										
12	2002	14										
12	2001	15										
12	2000	16										
12	1999	17										
12	1998	18										
12	1997	19										
12	1996	20										
Prior accident years		21										
Total (11 to 21)		29										
Line 29 expressed in sterling		30										

Form 31
(continuation sheet)

General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance

Name of insurer **PEARL ASSURANCE PLC**

Currency **British Pound**

Reporting Territory **United Kingdom other than home foreign**

Global business

Financial year ended **31 December 2005**

Employers liability

Accident year ended	Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Category number	Currency code	Reporting territory code	
	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	In this financial year	Reported	In this financial year				
Month	Year	1	2	3	4	5	6	7	8	9	10	11
12	1982	163		848								
12	1981											
12	1980	190		748								
12	1979	2226		809								
12	1978											
12	1977											
12	1976											
12	1975		1		7	19				26		
12	1974	149		149				18		(18)		
12	1973	140		397								
12	1972											
12	1971	130	1	97	9	13		20		2		
12	1970	179	9	1494	15	190		145		60		

Currency rates

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

Company registration number

GL/ UK/ CM

day month year

	R36	1419	GL	31	12	2005
Name of currency				Currency code	No. of units to £ sterling	
US Dollar				USD	1.720400	

Equalisation provisions

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

	R37	1419	GL	Company registration number			GL/UK/CM			day month year			Units
				Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non-proportional treaty)	31	12	2005	GL	UK	CM	
	Business grouping A (property)	1	2	3	4	5	6	7					
	Business grouping B (business interruption)	2											
	Business grouping C (marine and aviation)	3											
	Business grouping D (nuclear)	4											
	Business grouping E (non-proportional treaty)	5											
	All business groupings	6											
	Credit insurance business	7											
Calculation of the maximum provision													
11	Total net premiums written in the previous 4 years	7											
12	Net premiums written in the current year	2											
13	Maximum provision												

Calculation of the transfer to/from the provision

21	Equalisation provision brought forward												
22	Transfers in												
23	Total abnormal loss	353											
24	Provisional transfers out												
25	Excess of provisional transfer out over fund available												
26	Provisional amount carried forward (21+22-24+25)												
27	Excess, if any, of 26 over 13												
28	Equalisation provision carried forward (26-27)												
29	Transfer in/(out) for financial year (28-21)												

Equalisation provisions technical account : Accident year accounting

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/UK/CM	day month year		Units
			31	12 2005	
R38	1419	GL			£000
	Business grouping A (property)	Business grouping B (business interruption)	Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non-proportional treaty)
	1	2	3	4	5
Other than credit business					
Net premiums earned	11	2			
Claims incurred net of reinsurance	12	337			
Trigger claims value	13	1			
Abnormal loss	19	336			
			72.5%	95%	100%
			72.5%	25%	
			Trigger claims ratio		

Credit business

Net premiums earned	21
Claims incurred net of reinsurance	22
Claims management costs	23
Net operating expenditure	24
Technical surplus/(deficit) (21-22-23-24)	29

Equalisation provisions technical account : Underwriting year accounting

Name of insurer **PEARL ASSURANCE PLC**

Global business

Financial year ended **31 December 2005**

	R39	Company registration number	GL/UK/CM	day month year			Units
				31	12	2005	
	Business grouping A (property)	1419	GL	Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non-proportional treaty)	£000
	1	2	3	4	5		
Other than credit business							
Net premiums written	11						6
Claims net of reinsurance	12	17	3082				764
Trigger claims value	13						6
Abnormal loss	19	17	3082				758
Trigger claims ratio		72.5%	95%	25%			100%

Credit business

Net premiums written	21
Claims net of reinsurance	22
Claims management costs	23
Net operating expenditure	24
Technical surplus/(deficit) (21-22-23-24)	29

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	267796	333321
Investment income receivable before deduction of tax	12	681130	721185
Increase (decrease) in the value of non-linked assets brought into the account	13	152908	461761
Increase (decrease) in the value of linked assets	14	33	(276)
Other income	15	91393	134195
Total income	19	1193260.	1650186

Expenditure

Claims incurred	21	1337794	1378543
Expenses payable	22	83849	93069
Interest payable before the deduction of tax	23	2523	2507
Taxation	24	95412	28498
Other expenditure	25	88361	132937
Transfer to (from) non technical account	26	66000	
Total expenditure	29	1673939	1635554

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(480679)	14632
Fund brought forward	49	13112093	13097461
Fund carried forward (39+49)	59	12631414	13112093

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	247401	313447
Investment income receivable before deduction of tax	12	494538	502895
Increase (decrease) in the value of non-linked assets brought into the account	13	5737	449299
Increase (decrease) in the value of linked assets	14	33	(276)
Other income	15	2305	675
Total income	19	750014	1266040

Expenditure

Claims incurred	21	1103262	1135571
Expenses payable	22	71356	76724
Interest payable before the deduction of tax	23	2327	2338
Taxation	24	60330	26733
Other expenditure	25	88361	132937
Transfer to (from) non technical account	26		
Total expenditure	29	1325636	1374303

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(575622)	(108263)
Fund brought forward	49	9834108	9942371
Fund carried forward (39+49)	59	9258486	9834108

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	673	236
Investment income receivable before deduction of tax	12	167875	176263
Increase (decrease) in the value of non-linked assets brought into the account	13	124305	54133
Increase (decrease) in the value of linked assets	14		
Other income	15	88248	132937
Total income	19	381101	363569

Expenditure

Claims incurred	21	225460	224612
Expenses payable	22	7224	7967
Interest payable before the deduction of tax	23	196	169
Taxation	24	8062	(2575)
Other expenditure	25		
Transfer to (from) non technical account	26	37500	
Total expenditure	29	278442	230173

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	102659	133396
Fund brought forward	49	3008453	2875057
Fund carried forward (39+49)	59	3111112	3008453

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Regular premiums	11	178011	87780		265791	329110
Single premiums	12	1889	4451		6340	8640

Reinsurance - external

Regular premiums	13	3873			3873	3749
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	462			462	680
Single premiums	16					

Net of reinsurance

Regular premiums	17	173676	87780		261456	324681
Single premiums	18	1889	4451		6340	8640

Total

Gross	19	179900	92231		272131	337750
Reinsurance	20	4335			4335	4429
Net	21	175565	92231		267796	333321

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Regular premiums	11	156856	87107		243963	306707
Single premiums	12	(551)	4451		3900	7420

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	462			462	680
Single premiums	16					

Net of reinsurance

Regular premiums	17	156394	87107		243501	306027
Single premiums	18	(551)	4451		3900	7420

Total

Gross	19	156305	91558		247863	314127
Reinsurance	20	462			462	680
Net	21	155843	91558		247401	313447

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **31 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Regular premiums	11	21155			21155	22167
Single premiums	12	2440			2440	1220

Reinsurance - external

Regular premiums	13	3873			3873	3749
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	17282			17282	18418
Single premiums	18	2440			2440	1220

Total

Gross	19	23595			23595	23387
Reinsurance	20	3873			3873	3749
Net	21	19722			19722	19638

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Regular premiums	11		673		673	236
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		673		673	236
Single premiums	18					

Total

Gross	19		673		673	236
Reinsurance	20					
Net	21		673		673	236

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Death or disability lump sums	11	85960	11142		97102	97847
Disability periodic payments	12					
Surrender or partial surrender	13	465186	240924		706110	691139
Annuity payments	14	5524	229219		234743	235702
Lump sums on maturity	15	221875	84258		306133	361577
Total	16	778545	565543		1344088	1386265

Reinsurance - external

Death or disability lump sums	21					3152
Disability periodic payments	22					
Surrender or partial surrender	23	1763			1763	
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1763			1763	3152

Reinsurance - intra-group

Death or disability lump sums	31	196			196	174
Disability periodic payments	32					
Surrender or partial surrender	33	3710			3710	4396
Annuity payments	34					
Lump sums on maturity	35	625			625	
Total	36	4531			4531	4570

Net of reinsurance

Death or disability lump sums	41	85764	11142		96906	94521
Disability periodic payments	42					
Surrender or partial surrender	43	459713	240924		700637	686743
Annuity payments	44	5524	229219		234743	235702
Lump sums on maturity	45	221250	84258		305508	361577
Total	46	772251	565543		1337794	1378543

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Death or disability lump sums	11	78683	10490		89173	91814
Disability periodic payments	12					
Surrender or partial surrender	13	468936	240898		709834	684257
Annuity payments	14		4471		4471	4469
Lump sums on maturity	15	220091	84224		304315	359601
Total	16	767710	340083		1107793	1140141

Reinsurance - external

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

Reinsurance - intra-group

Death or disability lump sums	31	196			196	174
Disability periodic payments	32					
Surrender or partial surrender	33	3710			3710	4396
Annuity payments	34					
Lump sums on maturity	35	625			625	
Total	36	4531			4531	4570

Net of reinsurance

Death or disability lump sums	41	78487	10490		88977	91640
Disability periodic payments	42					
Surrender or partial surrender	43	465226	240898		706124	679861
Annuity payments	44		4471		4471	4469
Lump sums on maturity	45	219466	84224		303690	359601
Total	46	763179	340083		1103262	1135571

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **31 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Death or disability lump sums	11	7277		7277	5636
Disability periodic payments	12				
Surrender or partial surrender	13	(3750)		(3750)	6882
Annuity payments	14	5524		5524	7056
Lump sums on maturity	15	1784		1784	1938
Total	16	10835		10835	21512

Reinsurance - external

Death or disability lump sums	21				3152
Disability periodic payments	22				
Surrender or partial surrender	23	1763		1763	
Annuity payments	24				
Lump sums on maturity	25				
Total	26	1763		1763	3152

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	7277		7277	2484
Disability periodic payments	42				
Surrender or partial surrender	43	(5513)		(5513)	6882
Annuity payments	44	5524		5524	7056
Lump sums on maturity	45	1784		1784	1938
Total	46	9072		9072	18360

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Death or disability lump sums	11		652		652	397
Disability periodic payments	12					
Surrender or partial surrender	13		26		26	
Annuity payments	14		224748		224748	224177
Lump sums on maturity	15		34		34	38
Total	16		225460		225460	224612

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41		652		652	397
Disability periodic payments	42					
Surrender or partial surrender	43		26		26	
Annuity payments	44		224748		224748	224177
Lump sums on maturity	45		34		34	38
Total	46		225460		225460	224612

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	40977	42872	83849	93069
Management - other	15				
Total	16	40977	42872	83849	93069

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	40977	42872	83849	93069
Management - other	45				
Total	46	40977	42872	83849	93069

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	35708	35648	71356	76724
Management - other	15				
Total	16	35708	35648	71356	76724

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	35708	35648	71356	76724
Management - other	45				
Total	46	35708	35648	71356	76724

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **31 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	5269		5269	8378
Management - other	15				
Total	16	5269		5269	8378

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	5269		5269	8378
Management - other	45				
Total	46	5269		5269	8378

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		7224	7224	7967
Management - other	15				
Total	16		7224	7224	7967

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		7224	7224	7967
Management - other	45				
Total	46		7224	7224	7967

Long-term insurance business : Linked funds balance sheet

Name of insurer **PEARL ASSURANCE PLC**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

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

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	285	252
Total assets (excluding cross investment) (11+12+ 13)	14	285	252
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	285	252

Directly held linked assets

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

Total

Value of directly held linked assets and units held (18+21)	31	285	252
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	285	252

Long-term insurance business : Summary of new business

Name of insurer **PEARL ASSURANCE PLC**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

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

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

Regular premium business	11				
Single premium business	12	1	6618		6619
Total	13	1	6618		6619

**Amount of new regular
premiums**

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

**Amount of new single
premiums**

Direct insurance business	25	10	87886		87896
External reinsurance	26				
Intra-group reinsurance	27	82	793		875
Total	28	92	88679		88771

Long-term insurance business : Analysis of new business

Name of insurer
PEARL ASSURANCE PLC

Total business

Financial year ended
31 December 2005

Units
£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
365	Income protection non-profit (reviewable premiums)		67		
395	Annuity non-profit (PLA)			1	10

Long-term insurance business : Analysis of new business

PEARL ASSURANCE PLC

31 December 2005
£000

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				82

Long-term insurance business : Analysis of new business

Name of insurer
PEARL ASSURANCE PLC

Total business

Financial year ended
31 December 2005

Units
£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			6613	86764
550	Individual deposit administration with-profits - increments				767
905	Index linked annuity			5	355

Long-term insurance business : Analysis of new business

PEARL ASSURANCE PLC

Name of insurer

Total business

Financial year ended

Units

31 December 2005

£000

UK Pension / Reinsurance accepted Intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
535	Group money purchase pensions UWP				793

Long-term insurance business : Non- linked assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2005**
 Units **£000**

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

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

Land and buildings	11	28	203	9	3.76	
Approved fixed interest securities	12	2016030	2015999	102288	4.29	
Other fixed interest securities	13	1220211	1268292	72238	4.86	
Variable interest securities	14	76056	25556	1561	4.86	
UK listed equity shares	15	26366	32421	2805	8.65	
Non-UK listed equity shares	16	170	165	17	10.18	
Unlisted equity shares	17	555	486	20	4.12	
Other assets	18	213069	209363	12978	5.95	
Total	19	3552485	3552485	191916	4.64	

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

Land and buildings	21	109551	802131	36404	3.76	17.04
Approved fixed interest securities	22	4094799	3640969	162783	4.12	9.17
Other fixed interest securities	23	1445597	1482525	77266	5.30	9.83
Variable interest securities	24	513823	924804	41861	5.05	8.19
UK listed equity shares	25	1914402	2354081	141962	6.03	17.37
Non-UK listed equity shares	26	29540	28662	630	2.20	15.09
Unlisted equity shares	27	336156	294539	11094	3.77	(6.03)
Other assets	28	1961114	877271	19861	3.56	4.57
Total	29	10404982	10404982	491861	4.71	11.32

Overall return on with-profits assets

Post investment costs but pre-tax	31					11.16
Return allocated to non taxable 'asset shares'	32					12.72
Return allocated to taxable 'asset shares'	33					10.75

Long-term insurance business : Non- linked assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **11 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	79952	79952	4812	4.29	
Other fixed interest securities	13	17094	17094	1296	5.05	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	203524	203524	12246	6.02	
Total	19	300570	300570	18354	5.50	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Non- linked assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **12 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	1844389	1844389	93356	4.29	
Other fixed interest securities	13	1114608	1160428	66211	4.84	
Variable interest securities	14	50553	5746	536	4.74	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	2113	1100	633	4.30	
Total	19	3011663	3011663	160736	4.50	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Non- linked assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **13 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

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

Land and buildings	11	28	203	9	3.76	
Approved fixed interest securities	12	91689	91658	4120	4.23	
Other fixed interest securities	13	88509	90770	4731	5.14	
Variable interest securities	14	25503	19810	1025	4.90	
UK listed equity shares	15	26366	32421	2805	8.65	
Non-UK listed equity shares	16	170	165	17	10.18	
Unlisted equity shares	17	555	486	20	4.12	
Other assets	18	7432	4739	99	3.56	
Total	19	240252	240252	12826	5.22	

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

Land and buildings	21	109551	802131	36404	3.76	17.04
Approved fixed interest securities	22	4094799	3640969	162783	4.12	9.17
Other fixed interest securities	23	1445597	1482525	77266	5.30	9.83
Variable interest securities	24	513823	924804	41861	5.05	8.19
UK listed equity shares	25	1914402	2354081	141962	6.03	17.37
Non-UK listed equity shares	26	29540	28662	630	2.20	15.09
Unlisted equity shares	27	336156	294539	11094	3.77	(6.03)
Other assets	28	1961114	877271	19861	3.56	4.57
Total	29	10404982	10404982	491861	4.71	11.32

Overall return on with-profits assets

Post investment costs but pre-tax	31					11.16
Return allocated to non taxable 'asset shares'	32					12.72
Return allocated to taxable 'asset shares'	33					10.75

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2005**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3774122	11.27	4.11	4.11
Other approved fixed interest securities	21	1882846	10.14	4.32	4.27
Other fixed interest securities					
AAA/Aaa	31	613316	10.82	4.46	4.37
AA/Aa	32	596195	9.63	4.92	4.75
A/A	33	1025517	9.21	5.02	4.72
BBB/Baa	34	293899	8.66	5.37	4.66
BB/Ba	35	60112	6.94	6.59	4.41
B/B	36	121942	7.48	8.96	3.49
CCC/Caa	37	647	7.04	10.99	4.18
Other (including unrated)	38	39189	8.19	4.12	4.07
Total other fixed interest securities	39	2750817	9.46	5.10	4.57
Approved variable interest securities	41	530773	14.96	4.05	4.05
Other variable interest securities	51	419587	5.38	6.28	4.83
Total (11+21+39+41+51)	61	9358145	10.46	4.54	4.30

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **11 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	79952	6.62	4.29	4.29

Other approved fixed interest securities	21				
---	-----------	--	--	--	--

Other fixed interest securities

AAA/Aaa	31	1536	8.11	4.86	4.75
AA/Aa	32	6063	10.54	4.87	4.68
A/A	33	8640	3.61	5.11	4.92
BBB/Baa	34	855	6.38	6.00	5.28
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	17094	6.61	5.05	4.84

Approved variable interest securities	41				
--	-----------	--	--	--	--

Other variable interest securities	51				
---	-----------	--	--	--	--

Total (11+21+39+41+51)	61	97046	6.62	4.42	4.39
-------------------------------	-----------	-------	------	------	------

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **12 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	333102	8.17	4.15	4.15
Other approved fixed interest securities	21	1511287	10.46	4.32	4.30
Other fixed interest securities					
AAA/Aaa	31	319599	9.71	4.64	4.54
AA/Aa	32	309745	11.01	4.78	4.60
A/A	33	488390	9.52	4.96	4.65
BBB/Baa	34	42694	7.95	5.52	4.89
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	1160428	9.91	4.84	4.62
Approved variable interest securities	41	5096	10.17	4.44	4.44
Other variable interest securities	51	650	11.12	7.05	6.67
Total (11+21+39+41+51)	61	3010563	9.99	4.50	4.41

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE PLC**
 Category of assets **13 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3361068	11.69	4.10	4.10

Other approved fixed interest securities	21	371559	8.86	4.32	4.15
---	-----------	--------	------	------	------

Other fixed interest securities

AAA/Aaa	31	292181	12.04	4.26	4.18
AA/Aa	32	280387	8.09	5.09	4.91
A/A	33	528487	9.02	5.08	4.78
BBB/Baa	34	250350	8.79	5.34	4.61
BB/Ba	35	60112	6.94	6.59	4.41
B/B	36	121942	7.48	8.96	3.49
CCC/Caa	37	647	7.04	10.99	4.18
Other (including unrated)	38	39189	8.19	4.12	4.07
Total other fixed interest securities	39	1573295	9.16	5.30	4.53

Approved variable interest securities	41	525677	15.01	4.05	4.05
--	-----------	--------	-------	------	------

Other variable interest securities	51	418937	5.37	6.28	4.83
---	-----------	--------	------	------	------

Total (11+21+39+41+51)	61	6250536	10.74	4.56	4.25
-------------------------------	-----------	---------	-------	------	------

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Form 51 - with-profits	11	1802489	1749019		3551508
Form 51 - non-profit	12	152652	3138816		3291468
Form 52	13	1434903	3935062		5369965
Form 53 - linked	14	10359			10359
Form 53 - non-linked	15	375	34794		35169
Form 54 - linked	16	2	89805		89807
Form 54 - non-linked	17		777		777
Total	18	3400780	8948273		12349053

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	249			249
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	2			2
Form 54 - non-linked	27				
Total	28	251			251

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34	10074			10074
Form 53 - non-linked	35	369			369
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38	10443			10443

Net of reinsurance

Form 51 - with-profits	41	1802489	1749019		3551508
Form 51 - non-profit	42	152403	3138816		3291219
Form 52	43	1434903	3935062		5369965
Form 53 - linked	44	285			285
Form 53 - non-linked	45	6	34794		34800
Form 54 - linked	46		89805		89805
Form 54 - non-linked	47		777		777
Total	48	3390086	8948273		12338359

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Form 51 - with-profits	11	1802489	1749019		3551508
Form 51 - non-profit	12	45578	158442		204020
Form 52	13	1434903	3935062		5369965
Form 53 - linked	14	10359			10359
Form 53 - non-linked	15	375	34794		35169
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	3293704	5877317		9171021

Reinsurance - external

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

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34	10074			10074
Form 53 - non-linked	35	369			369
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38	10443			10443

Net of reinsurance

Form 51 - with-profits	41	1802489	1749019		3551508
Form 51 - non-profit	42	45578	158442		204020
Form 52	43	1434903	3935062		5369965
Form 53 - linked	44	285			285
Form 53 - non-linked	45	6	34794		34800
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	3283261	5877317		9160578

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **31 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	107074		107074	
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16	2		2	
Form 54 - non-linked	17				
Total	18	107076		107076	

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	249		249	
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	2		2	
Form 54 - non-linked	27				
Total	28	251		251	

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	106825		106825	
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	106825		106825	

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		2980374	2980374	
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		89805	89805	
Form 54 - non-linked	17		777	777	
Total	18		3070956	3070956	

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		2980374	2980374	
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		89805	89805	
Form 54 - non-linked	47		777	777	
Total	48		3070956	3070956	

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

PEARL ASSURANCE PLC

21 90:10

Total business / subfund

Financial year ended 31 December 2005

Units £000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	31731	141405	6260				38556
105	Conventional whole life with-profits IB	654245	319006	5745				245144
120	Conventional endowment with-profits OB savings	143458	698760	44974				502439
125	Conventional endowment with-profits OB target cash	78456	1008141	32398				847452
130	Conventional endowment with-profits IB	78768	143162	8613				130827
155	Conventional pensions endowment with-profits	2226	55035	580				27722
165	Conventional deferred annuity with-profits	2	5					48
205	Miscellaneous conventional with-profits	254	10172	217				3804
210	Additional reserves with-profits OB							1000
215	Additional reserves with-profits IB							5497
300	Regular premium non-profit WL/EA OB	6313	16882					12571
310	Non-profit IB	827312	32787					32097
390	Deferred annuity non-profit	5	2					22
435	Miscellaneous non-profit	291	30341	49				888

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

Name of insurer **PEARL ASSURANCE PLC**

Total business / subfund **21 90:10**

Financial year ended **31 December 2005**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	104263	2438571	8589				1649374
165	Conventional deferred annuity with-profits	1064	5784	115				28891
200	Annuity with-profits (CPA)	1	4469					70154
210	Additional reserves with-profits OB							600
300	Regular premium non-profit WL/EA OB	15535	192632					132298
390	Deferred annuity non-profit	3943	4288					26144

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

Name of insurer **PEARL ASSURANCE PLC**Total business / subfund **31 0:100 BLAGAB**Financial year ended **31 December 2005**Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	34221	84852	1156				61253
325	Level term assurance	75922	5157350	15579				4098
390	Deferred annuity non-profit	616	63					1348
395	Annuity non-profit (PLA)	2991	4162					22127
400	Annuity non-profit (CPA)	1150	975					13851
435	Miscellaneous non-profit	18284	388911	1789				4397

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

Name of insurer **PEARL ASSURANCE PLC**

Total business / subfund **31 0:100 BLAGAB**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		827513	1640				200
435	Miscellaneous non-profit		119375	280				49
910	Miscellaneous index linked		1					2

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

Name of insurer **PEARL ASSURANCE PLC**

Total business / subfund **32 0:100 PENSIONS**

Financial year ended **31 December 2005**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	7049	400563	1488				2220
390	Deferred annuity non-profit	1607	508					8532
400	Annuity non-profit (CPA)	150439	236971					2967418
435	Miscellaneous non-profit	94	348	18				2204

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

PEARL ASSURANCE PLC

Name of insurer

21 90:10

Total business / subfund

31 December 2005

Financial year ended

£000

Units

UK Life / Gross

1	2	3	4	5	6	7	8	9
Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
500	Life UWP single premium	70380	1166767		1145932	1100038	15097	1115135
505	Life UWP whole life regular premium	5136	15533	2193	15381	14885	2219	17104
506	Life UWP whole life regular premium (ISA)	80489	202611	34337	200600	197516	28039	225555
515	Life UWP endowment regular premium - target cash	12985	250548	8228	57640	56590	18198	74788
545	Individual deposit administration with-profits	16	25		21	21	4	25
575	Miscellaneous UWP	462	2257	240	2257	2131	165	2296

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

PEARL ASSURANCE PLC

21 90:10

Name of insurer

31 December 2005

Total business / subfund

£000

Financial year ended

UK Pension / Gross

1	2	3	4	5	6	7	8	9
Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
525	Individual pensions UWP	88549	317625	30021	308809	294162	37527	331689
535	Group money purchase pensions UWP	1	144422	5416	141850	131821		131821
545	Individual deposit administration with-profits	442425	3586099	43627	3586099	2723366	747229	3470595
605	Miscellaneous protection rider		187255	1019	187255	957		957

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

Name of insurer PEARL ASSURANCE PLC

Total business / subfund 21 90:10

Financial year ended 31 December 2005

Units £000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
795	Miscellaneous property linked	1581	21302	414	10359	10359	375	10734

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

Name of insurer **PEARL ASSURANCE PLC**

Total business / subfund **21 90:10**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number	1	2	Product description	3	4	5	6	7	8	9
Product code number	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		
795	21017		21017	414	10074	10074	369	10443		

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

Name of insurer PEARL ASSURANCE PLC

Total business / subfund 21 90:10

Financial year ended 31 December 2005

Units £000

UK Pension / Gross

Product code number	1	2	3	4	5	6	7	8	9
Product code number		Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
725		Individual pensions property linked						34794	34794

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

Name of insurer **PEARL ASSURANCE PLC**

Total business / subfund **31 0:100 BLAGAB**

Financial year ended **31 December 2005**

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
910	Miscellaneous index linked		1			2		2

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

Name of insurer PEARL ASSURANCE PLC

Total business / subfund 31 0:100 BLAGAB

Financial year ended 31 December 2005

Units £000

UK Life / Reinsurance ceded external

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

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

Name of insurer PEARL ASSURANCE PLC

Total business / subfund

32 0:100 PENSIONS

Financial year ended

31 December 2005

Units

£000

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	892	8323			89805	777	90582

Long-term insurance business: analysis of valuation interest rate

Name of insurer **PEARL ASSURANCE PLC**Subfund **21 90:10**Financial year ended **31 December 2005**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100/120/125	1235168	3.60	4.01	4.41
UKL WP code 105/130/215	381467	3.40	4.13	4.50
UKL WP code 125	154279	3.00	3.75	4.20
UKL WP code 155	18252	4.80	5.05	5.56
UKL WP code 155	9469	4.00	4.27	5.53
UKL WP code 500	424642	3.10	3.84	4.25
UKL WP code 506	226423	3.80	3.80	4.16
UKL WP code 515	17589	3.00	3.75	4.20
UKL WP code 500/505/515/575	776332	2.90	3.63	4.09
UKL NP code 300	64	4.00	4.27	5.53
UKL NP code 310	32097	3.40	4.13	4.50
UKL NP code 300/390	181	4.80	5.05	5.56
UKL NP code 300/435	13236	3.60	4.01	4.41
UKP WP code 155	574479	4.00	4.00	4.34
UKP WP code 155/165/210	1085751	4.50	4.50	4.84
UKP WP code 200	73114	3.70	3.70	4.02
UKP WP code 525	335112	3.80	3.80	4.13
UKP WP code 535	134241	4.60	4.60	5.21
UKP WP code 545	2877873	3.80	3.80	4.13
UKP WP code 545	575277	3.70	3.70	4.22
UKP WP code 545	17443			2.42
UKP NP code 300/390	39035	4.00	4.00	4.31
UKP NP code 300/390	119407	4.50	4.50	4.82
UKP NP code 605	957	3.80	3.80	4.12
Misc	3883			
Total	9125771			

Long-term insurance business: analysis of valuation interest rate

Name of insurer **PEARL ASSURANCE PLC**
 Subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP NP code 400	2051894	4.12	5.15	4.39
UKP NP code 400	915525	4.13	4.13	4.35
UKP NP code 325	12956	4.13	4.13	4.76
Total	2980375			

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	12631414	13112093
Bonus payments in anticipation of a surplus	12	71678	73662
Transfer to non-technical account	13	66000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	12769092	13185755
Mathematical reserves	21	12338359	12781135
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	430733	404620

Composition of surplus

Balance brought forward	31	302502	214110
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	128231	190510
Total	39	430733	404620

Distribution of surplus

Bonus paid in anticipation of a surplus	41	71678	73662
Cash bonuses	42		
Reversionary bonuses	43	18908	28456
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	90586	102118
Net transfer out of fund / part of fund	47	66000	
Total distributed surplus (46+47)	48	156586	102118
Surplus carried forward	49	274147	302502
Total (48+49)	59	430733	404620

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **21 90:10**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	9258486	9834108
Bonus payments in anticipation of a surplus	12	71678	73662
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9330164	9907770
Mathematical reserves	21	9160578	9706652
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	169586	201118

Composition of surplus

Balance brought forward	31	99000	2500
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	70586	198618
Total	39	169586	201118

Distribution of surplus

Bonus paid in anticipation of a surplus	41	71678	73662
Cash bonuses	42		
Reversionary bonuses	43	18908	28456
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	90586	102118
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	90586	102118
Surplus carried forward	49	79000	99000
Total (48+49)	59	169586	201118

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	95.48
Current year - 3	64	95.48	90.26

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **31 0:100 BLAGAB**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	261816	269532
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	28500	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	290316	269532
Mathematical reserves	21	106824	111256
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	183492	158276

Composition of surplus

Balance brought forward	31	158276	162205
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	25216	(3929)
Total	39	183492	158276

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	28500	
Total distributed surplus (46+47)	48	28500	
Surplus carried forward	49	154992	158276
Total (48+49)	59	183492	158276

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE PLC**
 Total business / subfund **32 0:100 PENSIONS**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	3111112	3008453
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	37500	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3148612	3008453
Mathematical reserves	21	3070957	2963227
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	77655	45226

Composition of surplus

Balance brought forward	31	45226	49405
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	32429	(4179)
Total	39	77655	45226

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	37500	
Total distributed surplus (46+47)	48	37500	
Surplus carried forward	49	40155	45226
Total (48+49)	59	77655	45226

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer PEARL ASSURANCE PLC

Original insurer 41 PEARL ASSURANCE PLC

Date of maturity value / open market option 38777

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	6109	n/a	n/a	CWP	N	6109
Endowment assurance	15	12321	428	n/a	CWP	N	12321
Endowment assurance	20	21748	1545	n/a	CWP	N	21748
Endowment assurance	25	4129	8879	n/a	CWP	N	41285
Regular premium pension	5	n/a	n/a	n/a	n/a	N	n/a
Regular premium pension	10	26579	2603	n/a	UWP	N	26579
Regular premium pension	15	47438	1992	n/a	CWP	N	47438
Regular premium pension	20	104247	n/a	n/a	CWP	N	73007
Single premium pension	5	n/a	n/a	n/a	n/a	N	n/a
Single premium pension	10	16894	3519	n/a	UWP	N	16984
Single premium pension	15	28846	8652	n/a	CWP	N	28846
Single premium pension	20	56873	5786	n/a	CWP	N	21911

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

Name of insurer **PEARL ASSURANCE PLC**
 Original insurer **41 PEARL ASSURANCE PLC**
 Date of surrender value **38777**

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	n/a
Endowment assurance	10	4833	n/a	n/a	CWP	N	n/a
Endowment assurance	15	11136	n/a	n/a	CWP	N	n/a
Endowment assurance	20	21173	552	n/a	CWP	N	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	N	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	N	n/a
With-profits bond	5	10821	n/a	n/a	UWP	N	10929
With-profits bond	10	15728	2319	n/a	UWP	N	15885
Single premium pension	2	n/a	n/a	n/a	n/a	N	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	N	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	N	n/a
Single premium pension	10	17394	3816	n/a	UWP	N	17590

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

Global business

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

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

Insurance death risk capital component

Classes I, II and IX	11	0.1%					
Classes I, II and IX	12	0.15%			0.88		
Classes I, II and IX	13	0.3%	7702096	6755510		20267	23112
Classes III, VII and VIII	14	0.3%	10574		0.50	16	38
Total	15		7712670	6755510		20283	23150

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21					93	93
--	----	--	--	--	--	----	----

Insurance expense risk capital component

Classes I, II and IX	31	1%	12278427	12278185	1.00	122782	128098
Classes III, VII and VIII (investment risk)	32	1%	78771	78771	1.00	788	898
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	291	291	1.00	3	3
Classes III, VII and VIII (other)	34	25%				15	
Class IV	35	1%	8988	20	0.85	76	101
Class V	36	1%					
Class VI	37	1%					
Total	38					123664	129100

Insurance market risk capital component

Classes I, II and IX	41	3%	12278427	12278185	1.00	368346	384295
Classes III, VII and VIII (investment risk)	42	3%	78771	78771	1.00	2363	2693
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	291	291			
Classes III, VII and VIII (other)	44	0%	10443				
Class IV	45	3%	8988	20	0.85	229	303
Class V	46	0%					
Class VI	47	3%					
Total	48		12376920	12357267		370938	387291

Long term insurance capital requirement	51					514978	539634
---	----	--	--	--	--	--------	--------

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1

0201 Modification to the Return

- (a) The FSA, on the application of the firm, made a direction in December 2003 under section 148 of the Act. The effect of the direction is to modify IPRU (INS) rule 5.11 so that the firm must calculate the rate of interest to be used in calculating the present value of future payments by, or to, the firm on the basis of the respective aggregate yields for the firm's life and pensions 0:100 funds. However, the direction only applies to the fixed interest securities considered by the firm's Appointed Actuary to be backing the firm's non-profit, non-linked, immediate annuity business. For the purposes of the direction, 'aggregate yield' means the rate of interest which equates the discounted value of the aggregate cash flows on the asset portfolio with the total market value of the asset portfolio.
- (b) The Financial Services Authority, on the application of the firm, made a direction in December 2003, which it varied in May and November 2004. The effect of the direction (as varied) is to enable the firm to apply a long-term insurance business amount of 5% to investments in collateralised debt obligations, in aggregate. £532 million in line 43 of Form 13 relates to the firm's investments in those assets.

0204 Shareholder undertaking of Pearl Assurance plc

The insurer has complied with the undertaking dated 31st October 2003 as referred to in supplementary notes 1407 and 5803.

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

	2005 £'000	2004 £'000
Form 13 line 89 (total other than long term insurance business assets)	1,221,492	1,192,014
Form 13 line 89 (total long term insurance business assets)	14,082,351	13,901,431
Less Form 14 line 71	12,691,203	13,139,828
Less Form 15 line 69	691,254	717,886
Net Admissible Assets	1,921,386	1,235,731
Capital resources requirement of regulated related undertakings	295,897	291,217
Difference in valuation of regulated related undertaking		11,034
Total capital resources	2,217,283	1,537,982
Form 3 line 79	2,217,283	1,537,982

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

***0307* Financial reinsurance accepted**

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

The entry on Form 3 line 93 represents a contingent premium due from London Life Limited which equals the liability of £22,000 (2004: £22,000) included in Form 51.

***0310* Valuation differences**

Positive valuation differences within Form 3 line 14 in respect of liabilities where valuation in PRU is lower than the valuation that the insurer uses for external financial reporting purposes.

	2005 £'000	2004 £'000
Deferred Taxation	(46,130)	(6,061)
Corporation Taxation	3,500	500
Actuarial valuation differences		
- 0:100 Pensions	(15,000)	
- 90:10	871,158	(57,025)
FSA Provision for reasonably foreseeable adverse variations		(5,600)
	<u>813,528</u>	<u>(68,186)</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

***1301* Unlisted and listed investments**

£'000

Unlisted Investments valued in accordance with the rules in PRU 1.3	3
Total	<u>3</u>

The above amount falls within any of lines 41, 42, 46 or 48 of Form 13 for other than long term business.

***1305* Counterparty limits**

The maximum counterparty exposure for other than long term insurance business during 2005 permitted by the insurer's investment guidelines was £69.1 million (2004: £72.2 million).

The maximum exposures permitted for other than approved counterparties were £34.6 million (2004: £36.1 million).

With the exception of investments in group undertakings, there were no investments exceeding these limits during the financial year.

***1308* Unlisted and listed investments**

£'000

Unlisted Investments valued in accordance with the rules in PRU 1.3	460,600
Listed Investments valued in accordance with the rules in PRU 1.3 and which are not readily realisable	6,700
Total	<u>467,300</u>

The above amounts fall within any of lines 41, 42, 46, or 48 of Form 13 for long term business.

***1309* Hybrid securities**

The aggregate value of those investments falling within lines 46 or 48 of Form 13, Total long term insurance business assets which are hybrid securities is £516.9million (2004: £341.9million).

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

1311

Counterparty limits

The maximum counterparty exposure for long term insurance business during 2005 permitted by the insurer's investment guidelines was £1,310 million (2004: £1,370 million).

The maximum exposure permitted for other than approved counterparties was £655 million (2004: £685 million).

With the exception of aggregate exposures with non-regulated closely connected parties, there were no investments exceeding these limits during the financial year.

1312

Counterparty exposure at the end of the financial year

There were four cases where the exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resources requirement and the long-term insurance liabilities, excluding property linked benefits and net of reinsurance ceded. In three of the cases, where the total amount of the exposure was £5,655 million, the assets which gave rise to the exposure were approved interest bearing securities. In the one remaining case the exposure was £1,073 million, where the assets giving rise to the exposure were holdings in authorised collective investment schemes.

1401

Provision for reasonably foreseeable adverse variations

No provision for reasonably foreseeable adverse variations is required in the long term business (2004: £5.6 million). The long term insurance business has no obligations to transfer assets or pay monetary amounts arising from either derivative contracts or quasi derivative contracts that are not covered.

1405

The analysis of Form 14 line 74 is disclosed within note 0310 above.

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

***1402* Liabilities**

- (a) There are no charges over assets.
- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £58 million (2004: £47 million). In accordance with FRS 19, the discounted value of £50 million (2004: £40 million) for this liability has been recognised together with further deferred tax liabilities totalling £11 million (2004: deferred tax assets £9 million) to give the figure of £61million (2004: £31 million) shown on line 21 of Form 14.
- (c) In common with other life insurers in the United Kingdom, which have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision included in the Peak 1 mathematical reserves for Phase 1 cases is £573 million (2004: £496 million). The provision included in the Peak 1 mathematical reserves for Phase 2 cases is £7 million (2004: £8 million).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £12 million (2004: £14 million).

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

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

1407 Shareholder Undertaking of Pearl Assurance

All items of revenue and expenditure in relation to the Earmarked Portfolio within the 90:10 fund are summarised in the revenue account below. The Earmarked Portfolio forms part of the excess assets recorded in Form 14 line 51.

	2005 £'000	2004 £'000
Funds brought forward	27,905	17,660
Investment Income	1,280	738
Expenses Payable	(18)	(11)
Taxation	(104)	(65)
Transfer to/from Earmarked Portfolio	8,937	9,583
Fund carried forward	<u>38,000</u>	<u>27,905</u>

1501 Provision for reasonably foreseeable adverse variations

No provision for reasonably foreseeable adverse variations is required in the other than long term business. The other than long term business has no obligations to transfer assets or pay monetary amounts arising from either derivative contracts or quasi derivative contracts.

1502 Liabilities

- (a) There are no charges over assets.
- (b) The total potential liability to taxation on capital gains which might arise if the insurer were to dispose of its other than long term insurance business assets is nil, and therefore a nil provision (2004: nil) has been included in line 21 of Form 15.
- (c) The insurer has no forward commitments in respect of group undertakings (2004: nil). The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (d) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1511

Form 15 line 12 includes £5,623,953 of discounting adjustment, this was disclosed within line 16 in 2004.

1601 Basis of conversion of foreign currency

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

1602 Brought forward amounts

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

1603 Other income and charges

The total of other income and charges for 2005 is a charge of £16,845,000 (2004: a charge of £29,368,000), comprising:

	2005 £'000	2004 £'000
Interest payable on loans from NPI Holdings Ltd	(14,822)	(14,167)
Interest payable on loan from National Provident Life Ltd	(2,052)	(2,002)
Amortisation of £900,000 excess on loan from Pearl Assurance Group Holdings Ltd	(180)	(360)
Virgin Money provision for indemnities	-	(12,000)
Legal fees	-	(76)
Professional fees	(1,237)	(762)
Churchill commission received	1,547	-
Project Fees	(107)	-
Other (charges)/income	6	(1)
	<u>(16,845)</u>	<u>(29,368)</u>

1700 Analysis of derivative contracts

In respect of Form 17 Other than long term insurance business assets and Form 17 Total long term insurance business assets – 0:100 BLAGAB, all amounts required to be shown (including comparatives) would be zero and these Forms have not been included in the return.

1701 Variation margin

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received is included in line 44 of Form 13.

1702 Holdings of quasi-derivatives

The aggregate value at the end of the financial year of assets and contracts having the effect of derivatives (quasi derivatives) did not exceed 2.5% of the business amount.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.2

20Ai

Amounts on Form 20A include business transferred in from Hallmark Insurance Company Limited to Pearl Assurance plc on 31 March 1996 as follows:

Risk Category	Reported	IBNR	Unearned premiums
271	25	37	NIL
273	120	43	NIL

20Aj

Contracts of insurance on discontinued business

No new contracts of insurance were affected during the year for the following classes:

Authorisation Class	Date of last contract effected	
1. Accident and health	July	2001
2. Motor	July	2001
3. Aviation	December	1993
4. Marine	September	1992
5. Transport	July	2001
6. Property	July	2001
8. Miscellaneous and Pecuniary Loss	July	2001

2007

Material connected-party transactions

During the year, the insurer settled an interest free loan of £30 million which it held with Pearl GI Limited. No further liability exists in connection with this loan.

2102

Unearned premiums

Unearned premiums are calculated as the proportion of written premiums which relate to cover provided in the period after the balance sheet date. This is calculated on the 365ths method.

2201

2401

2801

3101

3201

Brought forward amounts

Some of the brought forward amounts shown in Forms 22, 24, 28, 31 and 32 have been restated from the corresponding carried forward amounts included in the previous year's return due to the reconversion of foreign currency amounts at a different rate of exchange.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.2 (continued)

***2202* Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs. Carried forward claims management costs are based on the estimated direct costs of settling outstanding claims also loaded for estimated overheads and management costs. These are all reported on Treaty Non-Proportional Forms 25 and 29.

***2204* Acquisition costs**

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

***2402* Underwriting year accounting**

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

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

***2404* Claims management expenses**

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

***2406* Acquisition costs**

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

***2501* Unearned premiums**

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

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.2 (continued)

***3001* Yield**

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

***3003* Discounting methods**

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

Combined Category	Risk Category	Rate of Interest	Expected interval to settlement date
Primary (direct) and facultative commercial lines business			
Employers Liability	271	3.50%	10 years

Methodology used:

In calculating the technical provisions in respect of long term UK Industrial disease business the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cash flows. The average period before the liability will be settled has been estimated at 9.8 years for 2005 and the provision has been discounted at an interest rate of 3.5% (2004: 3.5%).

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.3

***4002* Other income and expenditure**

2005

The total of other income of £91,393,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Transfer of contracts	88,248	-	88,248	-
Other amounts due from policyholders to be deducted on claim	1,101	-	-	1,101
Commission received	840	840	-	-
Sundry Income	1,204	-	-	1,204
	<hr/>	<hr/>	<hr/>	<hr/>
	91,393	840	88,248	2,305

The total of other expenditure of £88,361,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Transfers of contracts	88,248	-	-	88,248
Sundry expenditure	113	-	-	113
	<hr/>	<hr/>	<hr/>	<hr/>
	88,361	-	-	88,361

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.3 (continued)

Other income and expenditure (continued)

2004

The total of other income of £134,195,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Transfers of contracts	132,937	-	132,937	-
Other amounts due from policyholders to be deducted on claim	698	-	-	698
Commission received	583	583	-	-
Sundry Income	(23)	-	-	(23)
	<u>134,195</u>	<u>583</u>	<u>132,937</u>	<u>675</u>

The total of other expenditure of £132,937,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
	£'000	£'000	£'000	£'000
Transfers of contracts	132,937	-	-	132,937
	<u>132,937</u>	<u>-</u>	<u>-</u>	<u>132,937</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.3 (continued)

4006 Apportionments between long term insurance business funds/sub funds

(i) Investment Income

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

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

(ii) Increase in value of assets brought into account

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

(iii) Expenses

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

(iv) Taxation

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

4008 Provision of management services

Since 1 September 2005, all administration and management services to the insurer has been provided by Pearl Group Services Limited. Prior to that, all administration and management services were provided by PGS2 Limited (formerly HHG Services Limited).

Henderson Global Investors Limited has provided investment management services to the insurer for the whole of the financial year.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Appendix 9.3 (continued)

4009 **Material connected-party transactions**

On 31 August 2005 the long-term fund's holding in NP Life Holdings Limited of shares was transferred to the shareholder fund for £20m.

On 29 December 2005 the insurer agreed to waive £349m of its loan to NP Life Holdings Limited, together with the associated interest.

4500

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

4801

The asset share philosophy for all the bonus series of Industrial Branch Business; and for all bonus series of Ordinary Branch – Conventional Business, Non-Unitised Accumulating With-Profits Business, and Unitised Accumulating With-Profits Business assumes an asset share mix of:

Land and Buildings	12.0%
Approved Fixed Interest Securities	41.6%
Other Fixed Interest Securities	16.9%
Variable Interest Securities	10.5%
UK Listed Equity Shares	30.0%
Non-UK Listed Equity Shares	0.4%
Unlisted Equity Shares	4.5%
Other Assets	(15.8%)

4806

The assets used to calculate the investments returns shown in lines 21-29 column 5 are those for the mix specified in note 4801.

4901

UBS credit ratings were used where available; otherwise, the credit ratings used were provided by Henderson Global Investors Limited.

5500

The insurer has no internal linked funds and this form has not been included within the Return.

5803 **Shareholder Undertaking of Pearl Assurance plc and percentage of distributed surplus allocated to policyholders**

No overall transfer to the non technical account has been made. This has affected the apparent percentage of distributed surplus allocated to policyholders in the 90:10 Form 58. The basis of allocation of surplus is unaltered from the previous year. The allocation of surplus remains 90:10 but the instructions for completing the Form 58 does not allow it to be shown in this way.

Shareholder transfers have been transferred to an Earmarked Portfolio within the 90:10 fund in accordance with the undertaking dated 31st October 2003.

Returns under the Accounts and Statements Rules

Statement of major treaty reinsurers required by Rule 9.25

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Full name of major reinsurer	Address	Details of connection (if any)	Proportional Treaty premiums paid in the financial year £000	Non Proportional Treaty premiums paid in the financial year £000	Debtor included at Line 75 of Form 13 £000	Deposits received included at Line 31 of Form 15 £000	Anticipated recoveries included at Line 61 of Form 13 £000
National Indemnity Company	3024 Hamey Street Omaha Nebraska 68131	None					133,393
European International Reinsurance Company	Chancery House High Street Bridgetown Barbados West Indies	None					57,169
Churchill Insurance Company Limited	Churchill Court Westmoreland Road Bromley Kent BR2 1DP	None					13,889

Returns under the Accounts and Statements Rules

Statement of major facultative reinsurers required by Rule 9.26

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

The insurer has no major facultative reinsurers

Returns under the Accounts and Statements Rules

Statement of major cedants required by Rule 9.27

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

The insurer has no major cedants

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

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

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management).

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

The insurer controls market risks through the setting of exposure limits, which are subject to detailed monitoring and review. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

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

- (b) Subject to the principles described above, the investment policy permits the writing of contracts, under which the insurer had an obligation to acquire or dispose of assets, which were not reasonably likely to be exercised, at the time when the contract was entered into. In these circumstances the portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Integrated Prudential Sourcebook (PRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of exotic options, including barrier options, without the prior approval of the senior management of the Investment Manager. The purchase of free-standing out of the money call options is not permitted.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

(Continued)

- (c) During the financial year the insurer bought and sold options where, at outset, the strike price of a call option was above the price of the underlying instrument or the strike price on a put option was below the price of the underlying instrument. The market movement required at outset to trigger the options was generally less than 5% of the strike price.

Contract Type	Exposure £'m	Weighted average % movement to strike	Number of Contracts
Bought Call	956	6.83%	40
Bought Put	1226.2	20.31%	35
Sold Call	2220.3	24.75%	86
Sold Put	1802.3	9.72%	67

- (d) The extent to which Form 13 would be changed if assets which the insurer had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired and disposed of, is as follows:

Asset	Actual Holding	Exposure due to derivatives	Combined Economic Exposure
	£m	£m	£m
Fixed Interest – Approved	6,032.1		6,032.1
Equity Shares	2,307.2	4.9	2,312.1
Deposits	122.7	(4.9)	117.8

- (e) If options outstanding at the end of the financial year had been exercised so as to change exposures by the maximum amount (allowing for options that either must be exercised together, or the exercise of one precludes the possibility of the other being exercised), the numbers in (d) above would have been as follows:

Asset	Actual Holding	Exposure due to derivatives	Combined Economic Exposure
	£m	£m	£m
Fixed Interest – Approved	6,032.1		6,032.1
Equity Shares	2,307.2	158.5	2,465.7
Deposits	122.7	(158.5)	(35.8)

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

(Continued)

- (f) The maximum extent to which the information provided in (d) above would have been materially different if (d) had applied to derivative contracts at other points during the financial year is as follows:

	Change due to derivatives £m	Date
Deposits	29	14 th June 2005
Fixed Interest – Approved	(8)	14 th June 2005
Equity Shares	(21)	14 th June 2005

The maximum extent to which the information supplied in (e) above would have been different if (e) had applied to derivative contracts at other points during the year is as follows:

	Change due to derivatives £m	Date
Deposits	1,599.2	
Fixed Income	(7.9)	14 th June 2005
Equity Shares	(1,591.3)	14 th June 2005

- (g) The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, under existing market conditions was £73.2 million.

The maximum loss, which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, in the event of other foreseeable market conditions, was £80.5 million.

The maximum loss under foreseeable market conditions at any other time during the financial year was £353.2 million.

- (h) The insurer has not made use of any derivative contract at any time during the financial year, which does not fall within PRU 4.3.17R.

- (i) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £4.2 million.

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were Pearl Group Limited (formerly Life Company Investor Group Limited), which remained a controller at 31st December 2005, together with Henderson Finances (formerly Pearl Group), Henderson Group PLC (formerly HHG PLC), AMP Financial Services Holdings Limited, AMP Holdings Limited, AMP Group Holdings Limited and AMP Limited which ceased to be controllers on 13th April 2005, Pearl Assurance Group Holdings Limited which ceased to be a controller on 12th May 2005 and Sun Capital Investments Limited, Hera Investments One Limited, Xercise Limited, Jambright Limited, Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas, TDR Capital LLP and TDR Capital Nominees Limited which became controllers on 13th April 2005.

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

1. Pearl Group Limited

As at 31st December 2005, Pearl Group Limited owned 100% of the 'A' and 'B' ordinary shares of Pearl Assurance plc, and was able to exercise 100% of the voting power at any general meeting.

2. Sun Capital Investments Limited

As at 31st December 2005, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

3. Hera Investments One Limited

As at 31st December 2005, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

4. Xercise Limited

As at 31st December 2005, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Jambright Limited

As at 31st December 2005, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

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

As at 31st December 2005, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 67.7% of the ordinary shares of Xercise Limited and were able to exercise 67.7% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

8. TDR Capital Nominees Limited

As at 31st December 2005, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.8% of the ordinary shares of Jambright Limited and were able to exercise 89.8% of the voting power at any general meeting and own 79.7% of the preference shares of both Jambright Limited and Xercise Limited, which carry no voting rights. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

9. TDR Capital LLP

As at 31st December, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking and, acted as nominee for the TDR funds, which own 89.8% of the ordinary shares of Jambright Limited and were able to exercise 89.8% of the voting power at any general meeting and own 79.7% of the preference shares of both Jambright Limited and Xercise Limited, which carry no voting rights. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance plc is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of information on the appointed actuary required by rule 9.36

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31st December 2005

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year 2005.

1. a) As at 31 December 2005 K J Arnott held 63 10 pence shares in HHG PLC, the Company's former ultimate parent undertaking, until 22 April 2005 and received in 2005, 60,280 10 pence shares in HHG PLC, to the value of £38,379 in total (which he subsequently sold in 2005), under the HHG PLC LongTerm Incentive plan.

HHG PLC was the Company's ultimate parent undertaking until 13 April 2005.

- b) K J Arnott held a number of assurance and insurance policies and investment products issued by the insurer in the normal course of business, the transactions being of a minor nature.
 - c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2005 was £208,792.
 - d) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statement Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

Note 1

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

PEARL ASSURANCE PLC

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31st December 2005.
- (2) The date to which the previous actuarial investigation under IPRU(INS) rule 9.4 related was 31st December 2004.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4).

Product range

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

Discretionary charges and benefits

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

Product	Policy Year of entry	Period applied
Investment Plan version 1	1995	See Notes 1,2
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Jun 2002	Throughout 2005
Reinsurance Accepted Portfolio Bond 1b	Jan 2000 to Jun 2002	Throughout 2005
Reinsurance Accepted Portfolio Bond 2	Feb 2000 to Jun 2002	Throughout 2005
Reinsurance Accepted Investment Bond	Oct 2000 to Jun 2002	Throughout 2005
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Jun 2002	Throughout 2005
Reinsurance Accepted Individual Pensions	Jan 2000 to Jun 2002	Throughout 2005
Reinsurance Accepted Group Pensions	Jan 2000 to Jun 2002	Throughout 2005
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Jun 2002	Throughout 2005

Notes:

1. The MVAs for Investment Plan version 1 and Homebuyer version 1 are calculated individually per policy dependent on the actual date premiums were paid.
2. For Investment Plan version 1, MVAs apply only on surrender before the tenth policy anniversary. This product was sold only in 1995. There will be no MVAs on Investment Plan version 1 from 2006 onwards.

The following products applied discretionary penalties during 2005.

Prosperity Personal Pensions version 1

On transfer out, or retirement before age 60 or within 5 years of inception if aged greater than 60, discretionary penalties were applied until 19th October 2005 on all policy years of entry.

Free Standing Additional Voluntary Contributions version 1

On transfer out or retirement before the intended retirement age discretionary penalties were applied until 19th October 2005 on all policy years of entry.

- (2) There have been no changes to premiums on reviewable protection policies during the financial year. The amount of annual premium for business where a change was permitted but did not occur was £17.7 million.
- (3) No policies have been sold in this category.
- (4) Policy fees for Homebuyer version 1 were increased in 2005 in line with National Average Earnings, an increase of 3.2%.
- (5) During the financial year, benefit charges remained unchanged on linked products.
- (6) During the financial year, unit management charges for unitised accumulating with-profits and linked business remained unchanged.

No notional charges are applied to non-unitised accumulating with-profits business.

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

- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

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

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

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

Equity (Collective Investment Scheme Holdings)	19.7%	17.8%	19.5%	17.7%
--	-------	-------	-------	-------

Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2005 was 17.6%.

- (9) See (8) above.

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

Valuation basis (other than for special reserves)

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

NON LINKED BUSINESS

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

For accumulating with-profit business, the mathematical reserves were determined using a gross premium method and are as according to the method prescribed by PRU 7.3.71R.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

LINKED BUSINESS

There is no group of linked products using the same valuation method and basis where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10 million and 1% of the total gross mathematical reserves.

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

Sub Fund	Product Group	2005	2004	Product Code
90:10	Conventional Life Business	3.60%	3.00%	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	3.40%	3.40%	105, 130, 310
90:10	Conventional General Annuity endowments	4.80%	5.00%	155, 300
90:10	Conventional Pensions deferred annuities	4.4%/2.72%	4.1%/3.17%	165, 390
90:10	Conventional Pensions endowments	4.50%	4.1%	155, 300
90:10	Reinsurance Accepted Immediate Annuities	3.70%	4.10%	200
90:10	Non-Unitised Accumulating With Profits - Pensions Business	3.80%	3.80%	545
90:10	Unitised Accumulating With Profits – Life Business	2.90%	3.10%	500, 505, 515, 575
90:10	Reinsurance Accepted Bonds	3.10%	3.30%	500
90:10	Unitised Accumulating With Profits - Pensions Business	3.80%	3.80%	525
90:10	Unitised Accumulating With Profits – ISA Business	3.80%	3.80%	506
90:10	Reinsurance Accepted Pensions Business	4.60%	4.10%	535

Sub Fund	Product Group	2005	2004	Product Code
0:100 BLAGAB	Conventional General Annuity Immediate Annuities pre 1992	4.13%	4.54%	395, 400
0:100 BLAGAB	Conventional Life Assurances	2.91%	3.20%	300, 435
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	4.12%	4.58%	400
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	4.31%	4.82%	400
0:100 Pensions	Conventional Pensions Immediate Annuities – index linked (Direct and Reinsurance Accepted from other than NP Life)	4.39%	4.59%	905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities – index linked	4.03%	4.39%	905

Note:

1. Where two interest rates are shown they represent the interest rate in deferment and interest rate in payment.
- (3) Yields on other approved fixed interest with a credit rating lower than AAA and other fixed interest or variable yield were reduced to allow for the risk of default whilst retaining the margin over gilt yields in respect of reduced liquidity of corporate bonds and overseas government bonds. The level of the reduction was assessed by reference to the term and credit ratings of the assets.

Properties were categorised into directly owned and indirectly owned. The yield was determined for each individual property based on the lower of the current rental yield and the prospective rental yield. The aggregate yield was reduced by 41 basis points for directly owned property.

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

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

Quoted UK and overseas equities:

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

Unquoted equities:

- Greater than 0.0%
- Equal to 0.0%

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

Sub Fund	Product Group	2005		2004		Product Code
		Male	Female	Male	Female	
90:10	Conventional Life Business	85% AM80	85% AF80	85% AM80	85% AF80	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
90:10	Conventional General Annuity endowments	65% AM80	65% AF80	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions deferred annuities (pre vesting basis)	65% AM80	65% AF80	65% AM80	65% AF80	165, 390
90:10	Conventional Pensions deferred annuities (post vesting basis)	95% RMV92 C2021	82.5% RFV92 C2021	95% RMV92 C2021	87.5% RFV92 C2021	165, 390
90:10	Conventional Pensions endowments with a variable retirement age	65% AM80	65% AF80	65% AM80	65% AF80	155, 300
90:10	Conventional Pensions endowments – Other – Compound Bonus	65% AM80	65% AF80	65% AM80	65% AF80	155
90:10	Conventional Pensions endowments – Other – Simple Bonus	85% AM80	85% AF80	85% AM80	85% AF80	155, 300
90:10	Reinsurance Accepted Immediate Annuities	90% PMA92 C2025	90% PFA92 C2025	100% PMA92 C2025	100% PFA92 C2025	200
90:10	Non-Utilised Accumulating With Profits – Pensions Business	65% AM80	65% AF80	65% AM80	65% AF80	545
90:10	Utilised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
90:10	Utilised Accumulating With Profits – Other	65% AM80	65% AF80	65% AM80	65% AF80	500, 505, 506, 525, 575
90:10	Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
90:10	Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
90:10	Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

Sub Fund	Product Group	2005		2004		Product Code
		Male	Female	Male	Female	
0:100 BLAGAB	Conventional Life Assurances	85% AM80	85% AF80	85% AM80	85% AF80	300, 435
0:100 BLAGAB	Conventional General Annuity Immediate Annuities pre 1992	95% RMV92 projected ⁽¹⁾	82.5% RFV92 projected ⁽¹⁾	95% RMV92 projected ⁽¹⁾	87.5% RFV92 projected ⁽¹⁾	395, 400
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	95% RMV92 projected ⁽¹⁾	82.5% RFV92 projected ⁽¹⁾	95% RMV92 projected ⁽¹⁾	87.5% RFV92 projected ⁽¹⁾	400, 905
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	100% RMV92 projected ⁽²⁾	85% RFV92 projected ⁽²⁾	80% RMV92 projected ⁽¹⁾	65% RFV92 projected ⁽¹⁾	400, 905

Notes

1. Projected mortality rates use CMIR17 improvement factors.
2. Projected mortality rates use medium cohort improvement factors
3. Where appropriate, additional reserves for the extra mortality that may arise from AIDS have been established. These additional reserves are calculated assuming that the additional mortality will be 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party and apply to male lives only. The additional reserves calculated have all been included within the reserves for the relevant individual product lines.

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			21.1	21.1
90:10	Reinsurance Accepted Immediate Annuities	23.0	14.5		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	20.7	12.9		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	20.7	12.9		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	22.5	14.3		

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			24.9	24.9
90:10	Reinsurance Accepted Immediate Annuities	25.9	17.1		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	24.7	16.0		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	24.7	16.0		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	26.3	17.2		

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

(6) The expense bases are as follows:

NON LINKED BUSINESS

Regular premium policies

Per policy expenses, before allowance for tax relief, were as follows:

Sub Fund	Product Group	2005 £pa	2004 £pa
90:10	OB Life and General Annuity Business ⁽¹⁾	58.88	54.70
90:10	OB Pensions Business ⁽²⁾	58.88	54.70
90:10	Industrial Branch	34.64	32.20
0:100 BLAGAB	OB Life and General Annuity Business	50.75	47.20
0:100 Pensions	OB Pensions Business	44.20	41.10

Notes:

1. For hybrid unitised with-profits policies the per policy expenses are apportioned between the linked and non-linked parts
2. These per policy expenses do not apply to Reinsurance Accepted Pensions Business where the expense risk is retained with NPI Limited.

Single premium and paid up policies

Other than for the products listed below, the per policy expenses for the single premium and paid up policies are the following proportions of the above per policy expenses for regular premium policies:

- for Personal Pensions and Free Standing Additional Voluntary Contributions version 1 business and all policies issued after 1st January 1997: 90% of the regular premium per policy maintenance expense for both single premium and paid up,
- for all other business: 50% of the regular premium per policy maintenance expense for single premium and 25% for paid up.

Sub Fund	Product Group	2005 £pa	2004 £pa
90:10	Reinsurance Accepted Portfolio Bonds 1a and 1b ⁽¹⁾	31.86	30.70
90:10	Reinsurance Accepted Portfolio Bond 2 and Investment Bonds ⁽¹⁾	38.96	37.70
90:10	Reinsurance Accepted Immediate Annuities ⁽¹⁾	37.49	35.70
90:10	Industrial Branch ⁽²⁾	0.87	0.80
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	50.75	47.20
0:100 Pensions	Conventional Pensions Immediate Annuities ⁽³⁾	44.20	41.10

Notes:

1. Per policy expenses are defined within the Reinsurance Agreement.
2. Premium ceased business.
3. These per policy expenses do not apply to Reinsurance Accepted from NP Life Immediate Annuities where the expense risk is retained with National Provident Life Limited.

The above allow for payments expected to be made to Pearl Group Services Limited under the Management Services Agreement, project expenses and directly incurred expenses. In addition

- a reserve of £25 million is held against future project costs.
- a reserve of £17 million is held for the additional payments due to Pearl Group Services Limited over 2006 and 2007 following the renegotiation of the management services agreement with that company

Gross Investment expenses

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

Sub Fund	Product Group	2005 bps	2004 bps
90:10	All business except inflation swap ⁽¹⁾	19.0	19.0
90:10	Inflation swap ⁽¹⁾	8.0	8.0
0:100 BLAGAB	All business	10.0	8.5
0:100 Pensions	All business	10.0	8.5

Notes:

1. Inflation swap held in respect of the Personal Pensions Guarantee Reserve
2. These rates are after allowing for VAT at 17.5%.

Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		2005	2004
All	Expense inflation	3.5%	5.0%
90:10	Policy charge inflation	4.0%	4.0%
90:10	Expense inflation (Reinsurance Accepted Bonds)	4.5%	4.5%
90:10	Expense inflation (Reinsurance Accepted Immediate Annuities)	5.0%	5.0%

- (7) As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with PRU 7.3.9R except for Reinsurance Accepted Portfolio Bond 2 where allowance is made for any guaranteed bonus payable.

(8) Tax Rates

Relief for tax applied to expenses is 20% for UK Life business (excluding ISA and pre 1992 General Annuity Business) and 0% for other business.

Tax on investment income is set out in the following table:

Type of business	2005	2004
UK Life – UK dividend income	0%	0%
UK Life – income from assets backing pre 1992 General Annuity Business	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	10%	10%
UK Pension – other income	0%	0%

Retirement Rates

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

Age Attained	2005	2004
60	20%	
61	3%	
62	3%	
63	3%	
64	3%	
65	50%	
66	10%	
67	2%	100% ⁽¹⁾
68	2%	
69	2%	
70	10%	
71	5%	
72	2%	
73	2%	
74	2%	
75	100%	

Note:

1. Or current age, if older

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

Surrender/Lapse Rates

No assumptions have been made on any product group which have a material impact on the mathematical reserve held.

Paid Up Rates

No assumptions have been made on any product group which have a material impact on the mathematical reserve held.

Withdrawal Rates

No assumptions have been made on any product group which have a material impact on the mathematical reserve held.

- (9) Valuation yields have been determined in accordance with the economic exposure shown on Form 48, excluding the time value of options. Reserves equal to the time value of options have been set up which are backed by the time value of the actual derivatives.

Options and Guarantees

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

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

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

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

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

Assumption	2005	
Take up Rate	100%	
Rate of interest	BoE gilts spot curve, capped at 4.0%	
Mortality in payment	95% RMV92 projected ⁽¹⁾ 82.5% RFV92 projected ⁽¹⁾	
Expected annuity Guarantee periods	0 years	40%
	5 years	20%
	10 years	40%
Expected annuity Escalation rates	0% p.a.	90%
	3% p.a.	5%
	5% p.a.	5%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years	
Retirement Rates	As per 4(8) above	
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age	1% pa
	All other business	0% pa

Note:

- 1. Projected mortality rates use CMIR17 improvement factors.

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

Type of Business	Product Code	Product name	Basic reserve £'000	Spread of outstanding durations ⁽¹⁾	Guarantee reserve ⁽²⁾ £'000	GAR (% fund for 65 year old male) ⁽³⁾	Increments allowed?	Annuity form	Retirement Age
UK Life	155	Conventional pensions endowment with-profits	17,941	Gradual run-off, mean term of 15 years	9,469	10%	No	See Note 4	60-70
UK Pension	155	Conventional pensions endowment with-profits	1,040,511	Gradual run-off, mean term of 14 years	572,732	10%	No	See Note 4	60-75
UK Pension	300	Regular premium endowment non-profit	91,212	Gradual run-off, mean term of 9 years	38,032	10%	No	See Note 4	60-75
UK Pension	725	Reinsurance Accepted Annuity Rate Guarantee	80,734	Gradual run-off, mean term of 13 years	34,794	10%	No	See Note 4	60-75

Notes:

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

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

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

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

(4) Personal Pensions Guarantee Reserve

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

The following method is used to determine the mathematical reserves:

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

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

Assumption	2005
Rate of interest	0.75% per annum
Rate of salary inflation (including an allowance for salary progression)	2.0% per annum
Effective rate of revaluation for transfer in deferment	1.0% per annum
Net rate of interest for pensions in payment	-0.35% per annum
Mortality in deferment	65% AM/AF80 ultimate
Mortality in payment	95% RMVC2025, 82.5% RFVC2025
Percentage assumed married	100%
Leaving service assumption	Nil

The amount of business involved had a basic mathematical reserve of £94 million reserve with additional reserves of £592 million. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

Mortgage Endowment Promise

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

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

Assumption	2005
Rate of interest	3.0% per annum
Mortality - Conventional Life Endowment	85% AM/F80 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/F80 Ult
Voluntary Discontinuance	1.50% p.a.
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £432 million with additional reserves of £173 million.

Expense Reserves

6. (1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are as follows:

Explicit per policy expense loadings	£72 million
Other explicit reserves	£8 million
Allowance for investment management expenses	£21 million

- (2) All provisions for future expenses have been made using explicit methods, except for investment expense allowance where a margin in the valuation interest rate is used.
- (3) The amount of expense loadings expected to arise in the next 12 months are greater than the maintenance expenses shown on Form 43 due to the:
- renegotiation of the management services agreement with Pearl Group Services Limited
 - sale of the life business of HHG plc to Pearl Group Limited and renegotiation of the investment management agreement with Henderson Global Investors Limited
 - margins for adverse deviation
- (4) Since Pearl Assurance plc has ceased to write new business other than increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.
- (5) No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to these total per policy expenses to allow for adverse deviation. These per

policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services is engaged with a third party to implement the outsource of processing and administration work which gives Pearl Assurance plc certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

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

Mismatching reserves

7. (1) The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits) and the liabilities in respect of the deposits received from reinsurers as shown in Form 14, analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	12,566	11,885
US Dollar		375
Euro		274
Other		32
Total	12,566	12,566

- (3) The amount of reserve for currency mismatching is £39 million. This is calculated as 10% of any unhedged foreign exchange exposure.
- (4) The most onerous scenario under PRU 4.2.16R for assets invested in the United Kingdom and other assets that fall under this rule for the purposes of calculating the resilience capital requirement is described below
- (i) a fall in the market value of equities of at least 10% or, if greater, the lower of:
- (a) a percentage fall in the market value of equities which would produce an earnings yield on the FTSE Actuaries All Share Index equal to 4/3rds of the long-term gilt yield; and
- (b) a fall in the market value of equities of 25% less the equity market adjustment ratio;

This resulted in a fall of 10%.

- (ii) a fall in real estate values of 20% less the real estate market adjustment ratio for an appropriate real estate index;

This resulted in a fall of 20%.

- (iii) an increase in yields on all fixed interest securities by a percentage point amount equal to 20% of the long-term gilt yield.

This resulted in an increase of 82 bps.

- (5) The most onerous scenario under PRU 4.2.23R for each significant territory in which assets are invested outside the United Kingdom for the purposes of calculating the resilience capital requirement is described below.

US and Eurozone Equities

A fall in the market values of US equity of 12% and a fall in the market values of Eurozone Equities of 12%.

US and Eurozone Fixed Interest

An increase in yields on all fixed interest securities by a percentage point amount equal to 20% of the nearest equivalent to the long-term gilt yield.

This resulted in an increase in US yields of 92 bps, and an increase in Euro yields of 70 bps.

- (6) (a) The amount of the resilience capital requirement is £313 million.
 - (b) Under the most onerous scenario the long term insurance liabilities decreased by £739 million
 - (c) Under this scenario, the value of assets allocated to match these liabilities decreased by £1,052 million.
- (7) No additional reserve is held.

Other special reserves

- 8. A misselling reserve is held in respect of certain mortgage endowment policies. The amount of reserve is £19 million and has been determined by calculating the expected number of successful complaints in the future and assuming an average cost per successful complaint. An allowance has also been made for claims which have been upheld, but not settled as at 31st December 2005.

Reinsurance

- 9. (1) No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom. No deposit back arrangement exists.
- (2) (d) Pearl Assurance (Unit Funds) Limited
- (e) Linked benefits of the Investment Plan version 1 and Homebuyer version 1 policies on a 100% quota share basis.
- (f) £462,444
- (g) No amount was deposited back.
- (h) The treaty is closed to new business.
- (i) There is no undischarged obligation of the insurer.

- (j) Mathematical reserves ceded amount to £10 million.
- (k) Pearl Assurance plc is closed to new business.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- (o) No commission is payable on reinsurance premiums.
- (p) There are no financing arrangements (as defined in 9 (3) (a) of Appendix 9.4) in place.

Reversionary (or annual) bonus

10.

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2005 Basic Mathematical reserve £'000	31.12.2005 Reversionary Bonus £ Per £1 4 weekly premium £	31.12.2004 Reversionary Bonus £ Per £1 4 weekly premium £	31.12.2005 Total guaranteed bonus £ Per £1 4 weekly premium £
Endowment policies	130,827	£0	£0	N/A
Whole Life policies	245,144	£0	£0	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2005 Basic Mathematical reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
Life regular premium	190,092	0%	0%	N/A
Pensions regular premium	176,892	0%	0%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2005 Basic Mathematical reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
Portfolio Bond 1a	57,093	1.00%	1.00%	N/A
Portfolio Bond 2 ⁽¹⁾	12,730	1.00%	1.00%	See Note (1)
Investment Bond	199,787	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	144,537	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions ⁽²⁾	63,232	1.50%	1.50%	N/A
Group Pensions ⁽²⁾	46,019	1.50%	1.50%	N/A
Capital Account Pensions ⁽²⁾	21,272	3.25%	3.25%	N/A
Immediate Annuities Series 3	17,503	4.50%	4.50%	N/A
Immediate Annuities Series 4	38,016	4.50%	4.50%	N/A

Notes

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

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

PEARL ASSURANCE PLC

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The date to which the investigation relates is 31st December 2005.
- (2) The date of the previous valuation is 31st December 2004.
- (3) An interim valuation was carried out at 30th June 2005.

2. Assets

- (1) A market-consistent valuation is used to determine the value of future profits on non-profit insurance. Insurance contracts written within the with-profits fund. The zero coupon curves used for this valuation and the previous valuation are set out below.

Implied zero curve at 31 December 2005 (gilts + 10bp)⁽¹⁾

Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	4.30%	11	4.25%	21	4.12%	31	4.04%
2	4.32%	12	4.25%	22	4.11%	32	4.03%
3	4.33%	13	4.24%	23	4.11%	33	4.02%
4	4.33%	14	4.24%	24	4.10%	34	4.01%
5	4.31%	15	4.23%	25	4.10%	35	4.00%
6	4.30%	16	4.21%	26	4.09%	36	3.99%
7	4.27%	17	4.19%	27	4.08%	37	3.99%
8	4.24%	18	4.17%	28	4.07%	38	3.98%
9	4.25%	19	4.15%	29	4.06%	39	3.97%
10	4.25%	20	4.13%	30	4.05%	40	3.97%

⁽¹⁾ Source: Tillinghast analysis of Bloomberg data

Implied zero curve at 31 December 2004 (gilts + 10bp)⁽¹⁾

Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	4.47%	11	4.73%	21	4.59%	31	4.50%
2	4.57%	12	4.74%	22	4.57%	32	4.49%
3	4.62%	13	4.74%	23	4.56%	33	4.49%
4	4.64%	14	4.73%	24	4.54%	34	4.49%
5	4.66%	15	4.72%	25	4.53%	35	4.48%
6	4.66%	16	4.70%	26	4.52%	36	4.48%
7	4.67%	17	4.68%	27	4.52%	37	4.48%
8	4.68%	18	4.66%	28	4.51%	38	4.48%
9	4.68%	19	4.63%	29	4.51%	39	4.47%
10	4.71%	20	4.61%	30	4.50%	40	4.47%

⁽¹⁾ Source: Tillinghast analysis of Bloomberg data

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

3. With-Profits Benefit Reserve Liabilities

(1) The table below shows the methods used to calculate the With-Profits Benefits Reserve.

Table of Retrospective and Prospective Methods Used to Calculate the With-Profits Benefits Reserve (£m)			
Product Class	Method Used	With-Profits Benefits Reserve	Future Policy Related Liabilities
Conventional With-Profits Life business	Retrospective – asset shares ¹	1,557	156
Conventional With-Profits Pensions business	Retrospective – asset shares ¹	950	467
Conventional With-Profits Industrial Branch business	Retrospective – asset shares	524	60
Non Unitised Accumulating With-Profits business	Retrospective – asset shares	3,313	426
Direct Unitised Accumulating With-Profits business	Retrospective – shadow fund	1,278	56
Reassurance Accepted Unitised Accumulating With-profits business	Retrospective – shadow fund	556 ³	(0)
Other business	Not applicable	70 ²	773
Total	N/A	8,248	1,939

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

² This is in respect of the London Life Pension Annuity business reinsured into Pearl, for which the with-profits benefit reserve is set equal to the regulatory reserve.

³ The with-profits benefits reserve for pensions business reinsured from NPI is set to the regulatory reserve.

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

(3) Not applicable.

(4) Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

- (1) (a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 93.6% of the total with-profits benefit reserve.
- (b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 6.4% of the total with-profits benefit reserve.
- (c) (i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.
- (c)(ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2005 was 489,106. These contracts were grouped into a total of 3,029 model points.
- (c)(iii) The effect of any grouping was tested by comparing the statutory reserves calculated for the grouped model points with the actual statutory reserves calculated using the individual policy data used for the regulatory peak valuation. The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level.

(2) (a) Not applicable.

(b) Not applicable.

(3) (a) Expenses consist of :

- Defined per policy maintenance charges from a Service Management Agreement,
- Project costs,
- Direct costs such as regulatory costs, and
- Investment management expenses.

As maintenance expenses are defined in a Service Management Agreement, an expense investigation is not necessary.

Project and direct costs are calculated each year based on the costs incurred.

Investment management expenses are charged directly based on an Investment Management Fee Agreement.

(b) Not applicable.

(c)(i) No expenses were identified as initial expenses.

(c)(ii) Maintenance expenses of £55.5m were identified for 2005. These consisted of :

Service company charges	£53.8m
Project costs	£2.0m
Direct Costs	(£0.3m)

(c)(iii) For product lines with the with-profit benefits reserve calculated using "retrospective – asset shares", the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.

For business calculated using "retrospective – shadow fund", an allowance for expenses is made through an annual management charge expressed as a percentage of the fund.

(c)(iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were 0.30% of assets in 2005.

- (4) For Conventional With-Profits Life and Pensions business and non Unitised Accumulating With-Profits business, a charge of 0.10% per annum, deducted from the investment return, has been made to reflect the cost of guarantees. No charge is made to Conventional With-Profits Industrial Branch business, Direct Unitised Accumulating With-Profits business or Reassurance Accepted Unitised Accumulating With-profits business for the cost of guarantees. No other charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital.

The same charges were made during 2004.

- (5) For Direct Unitised Accumulating With-profits business, a periodical management charge is made to the asset shares, where the charge is as described in Appendix 9.4 for the relevant product.

For Reassurance Accepted Unitised Accumulating With-profits business, the same charging structure is applied to the shadow fund as to the unit fund.

- (6) Proportions of claims paid to with-profits benefits reserve over the last three years are shown below:

2005	2004	2003
102%	113%	111%

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

- (7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2005 was 12.72%.

5. With-Profits Benefits Reserve – Prospective Method

- (1) Not applicable.

- (2) Not applicable.

6. Costs of Guarantees, Options and Smoothing

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

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

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

(b)(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2005 was 1,672,526 (comprising 787,334 pensions contracts and 885,192 life contracts). These contracts were grouped into a total of 13,781 model points (comprising 5,445 pensions and 8,336 life).

The total number of contracts, total office premiums and total guaranteed benefits for the grouped and ungrouped data were compared at product line level. In addition, for conventional business, the effect of any grouping was tested by comparing the regulatory reserves calculated for the grouped model points with the actual regulatory reserves calculated using individual policy data.

- (c) Not applicable.

(3) Not applicable.

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

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

(a)(ii) The model assumes that:

- Interest rates follow a 1-factor Hull & White process.
- Corporate bond spreads also follow a 1-factor Hull & White process.
- Equity and property returns follow an extension of the Black-Scholes lognormal model with a stochastic rather than deterministic drift term.

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a 10bp adjustment.
- The two parameters that govern the evolution of the interest rate model are chosen so that, given this discount function, the model replicates swaption prices that would be implied by the yield curve and market swaption volatilities.

The equity model is driven by two parameters that represent the equity dividend yield and equity process volatility respectively. The dividend yield parameter is set to zero, so as to output total equity returns. The volatility parameter is set to reflect the prices of long term at-the-money equity puts and calls and is fitted using least squares estimation. Note that this parameter is not directly comparable to the observed market equity volatility as the equity process is a function of the stochastic interest rate and therefore some of the interest rate volatility defined by the interest rate volatility parameter is also included in the equity process.

The following table shows the market data used to calibrate the equity process.

Implied volatility of at-the-money equity put options (%)

Option Term	1 year	2 years	3 years	4 years	5 years	10 years
31 December 2005	13.72	14.80	15.57	16.22	16.61	15.77

Source: Lehman Brothers

The correlation assumptions used are listed in the table below. These assumptions are set based on historic data regarding the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

Correlation factors between asset classes

	Long Dated Bonds	Equity Index	Property Index
Long Dated Bonds	100%		
Equity Index	40%	100%	
Property Index	10%	30%	100%

The property model is parameterised by two parameters that represent the rental yield and property process volatility respectively. The rental yield parameter is set to zero, in order to model total property returns. Ideally, the volatility parameter would be set to reflect the prices of long term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 13.5% based on analysis of historic volatility of property indexes. Note that, as with the equity process, the property volatility parameter is not the observed market property volatility as the property process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the property process.

The corporate bond process models the variation in the spread over risk free bonds. The calibration of this process is in two steps:

- Firstly, the model is calibrated to market zero-coupon corporate bond yields at the valuation date, so that the model will exactly reproduce the prices of corporate bonds traded in the market at the valuation date.
- Secondly, two parameters are chosen so that the model optimally replicates the historic volatility of corporate bond spreads.

(a)(iii) The following table shows the simulated values of specific options and/or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet, with one exception – the corporate bond scenarios used to derive the values are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine the realistic balance sheet reflected the average credit quality of the corporate bond portfolio.

Simulated values of specific options and / or contracts – 31 December 2005 (£)

	Asset type (all UK assets)	K=0.75			K=1			K=1.5					
		5	15	25	35	5	15	25	35	5	15	25	35
n													
r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	4.33%	4.22%	4.09%	4.00%	X	X	X	X	X	X	X	X
1	Risk free zero coupon bond					X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	809,186	538,271	366,677	253,192	148,954	249,354	310,748	373,401	531,359	619,303	687,107	753,207
3	FTSE All Share Index (p=0.8)	40,961	114,953	162,038	213,063	126,270	181,940	200,483	220,700	477,122	480,595	475,425	475,875
4	Property (p=1)	32,925	79,881	99,428	119,875	119,024	206,622	285,513	365,457	515,106	578,756	655,837	740,041
5	Property (p=0.8)	23,350	81,971	143,840	209,522	97,485	141,940	180,015	216,995	458,781	438,759	445,738	466,775
6	15 year risk free zero coupon bonds (p=1)	17,552	52,944	85,091	118,182	56,012	65,175	76,273	115,746	500,384	499,828	501,242	511,535
7	15 year risk free zero coupon bonds (p=0.8)	905	2,058	4,483	20,631	423	20,213	13,263	23,331	439,356	330,526	245,895	207,925
8	15 year corporate bonds (p=1)	2,107	5,104	9,300	25,088	64,221	78,179	88,574	123,613	500,492	501,438	504,467	516,438
9	15 year corporate bonds (p=0.8)	1,143	776	1,084	3,303	44,460	30,080	21,185	28,056	439,727	335,403	255,370	215,844
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	21,416	74,089	116,959	168,007	115,410	196,367	252,831	314,656	512,830	568,454	623,254	689,557
11	Portfolio of 65% FTSE All Share and 35% property (p = 0.8)	15,954	45,942	64,542	85,990	93,610	133,348	150,796	174,831	456,240	426,404	411,902	413,849
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 1)	15,495	56,148	84,331	122,685	105,693	170,811	211,185	261,321	508,301	550,523	588,300	633,941
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p = 0.8)	11,027	31,867	41,626	54,076	84,233	110,222	114,151	128,776	450,814	404,725	371,667	358,260
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p = 1)	5,406	25,584	46,815	81,324	78,741	123,591	156,672	206,485	501,325	517,470	539,950	578,628

Simulated values of specific options and / or contracts – 31 December 2005 (£)

	Asset type (all UK assets)	K=0.75		K=1		K=1.5							
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p = 0.8)	3,249	10,783	16,436	27,213	58,080	67,737	70,458	86,551	441,503	363,226	315,452	300,099
			L = 15				L = 20				L = 25		
16	Receiver swaptions	9.49%	8.86%	7.01%	5.19%	11.75%	10.91%	8.53%	6.29%	13.76%	12.59%	9.76%	7.17%

Notes:

(1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

- (a)(iv) As described in 6(4)(a)(ii) the equity dividend yield has been set to zero. The property rental yield parameter is also set to zero, so as to output total property returns. For the purposes of calculating a net (of tax) return, the equity dividend yield has been set to 3.34% and the property rental yield parameter to 3.34%.
- (a)(v) For the purposes of rule 7.4.61 of the Integrated Prudential sourcebook, the US and the Eurozone were the only significant overseas territories. There is no separate asset model for overseas assets and so the simulated prices of the swaptions would be the same as those set out in the table in 6(4)(a) (iii).
- (a)(vi) The outstanding term of significant guarantees within material product classes are shown in the following table.

Outstanding term of significant guarantees (years)

Product Class	GAO / GMP on maturity	Guarantees on maturity	Guarantees on surrender	Mortgage Endowment Promise
Conventional With-profits Life business	N/A	5	N/A	9
Conventional With-profits Pension business	11	10	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	3	N/A	N/A
Non unitised Accumulating With-profits business	N/A	16	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	6	5	6
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

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

Ratio of simulated to pseudo swaptions prices⁽¹⁾

Option Maturity	Swap Length	
	10 years	15 years
10 years	101%	103%
15 years	101%	102%

(1) A swaption consistent with the gilts plus 10 basis points risk-free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

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

Volatility of Put Options

Term	Observed ⁽¹⁾	Simulated	Closed form
5	16.61%	16.79%	16.49%
10		16.54%	16.15%
15		16.48%	15.97%

⁽¹⁾ Source Lehman Brothers market data for terms up to and including 5 years and for 10 years. The simulated / closed form volatilities beyond five years are consistent with how Lehman Brothers have indicated they would price longer term options.

The observed volatility is that taken from market data for a 5 year at-the-money put option. The simulated volatility is that implied from the 2,000 scenarios which were used in the calculation of the realistic balance sheet. The closed form volatilities are those that were input into the calibration of the model. The simulated volatilities closely follow the closed form volatilities, demonstrating that the error introduced by simulation is small and market consistency is satisfied.

- (a)(vii) It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. In a market-consistent model, the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (the "one=one" test). It was checked that the scenarios passed this test with a small observed error.
- (a)(viii) The working capital is calculated using 2,000 scenarios and deriving the population mean. A 95% confidence interval around the mean based on 2,000 scenarios using the sample standard deviation is +/-£23m.

In addition, simulations were performed using 2,000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in 6(4)(a)(vii) above.

The validation process involves two tests:

- Ensuring the scenarios satisfy the principle of no arbitrage (e.g. as illustrated by the one=one test).
- Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator used is based on well-established models which have been subject to peer review in academic literature, and published proofs exist that the models are internally consistent and arbitrage free. The models were implemented using simulation techniques. To ensure that the models were implemented correctly and that the simulation process did not introduce bias, test runs were performed using a sufficient numbers of scenarios (8 million in total) such that the one=one test would identify any systematic errors. The models passed this test without error.

The "one=one" test was applied based on the 2,000 scenario's used, as described in section 6(4)(a)(vii). The results were better than might be expected from a naïve simulation given the number of scenarios used as the scenario generation process incorporates extensive rejection testing and other variance reduction techniques to ensure that the scenarios selected pass the no-arbitrage test to a close tolerance.

The second validation test described above requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for swaptions, equity options and the initial yield curve.

Given the absence of data for property options, it is not possible to illustrate the fit of the property scenarios to market data; however, the fit of the volatility assumption to closed form was demonstrated.

- (b) Not applicable.
- (c) Not applicable.

- (5) (a) The following management actions are assumed when determining the realistic balance sheet:
- The asset mix of the with-profits fund is moved to the intended long-term asset mix, immediately following the valuation date.
 - Bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
 - If the working capital burns-through the assets in the Pacific fund in either the base or the risk capital margin scenario, the assets of the with-profits fund are moved into gilts and cash. This management action was not required at 31 December 2005.
- (b) The following tables set out the proportion of the assets backing the with-profits benefit reserve which would consist of equities (UK and non-UK) and annual bonus rates that would be modelled under the three different assumed risk-free curves.

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

	Equity Proportion	
	Accumulating with-profits	Conventional with- profits
(i) Risk free interest rate curve - At 31 December 2005	36.9%	36.9%
(i) Risk free interest rate curve - End 5 years	33.4%	33.4%
(i) Risk free interest rate curve - End 10 years	29.2%	29.2%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2005	36.9%	36.9%
(ii) Risk free interest rate curve + 17.5% - End 5 years	33.4%	33.4%
(ii) Risk free interest rate curve + 17.5% - End 10 years	29.2%	29.2%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2005	36.9%	36.9%
(iii) Risk free interest rate curve – 17.5% - End 5 years	33.4%	33.4%
(iii) Risk free interest rate curve – 17.5% - End 10 years	29.2%	29.2%

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

	Direct Unithised Accumulating With-profits business ⁽¹⁾				Non Unithised Accumulating With-profits Business	Reassurance Accepted Unithised Accumulating With-profits business Life
	Life	Pensions	Bonus Account	ISA		
(i) Risk free interest rate curve - At 31 December 2005	0.9%	1.2%	0.4%	0.5%	0.0%	1.0%
(ii) Risk free interest rate curve - End 5 years	1.1%	1.8%	0.8%	1.1%	0.0%	1.0%
(iii) Risk free interest rate curve - End 10 years	1.3%	1.8%	0.4%	0.7%	1.5%	1.0%
(i) Risk free interest rate curve +17.5% - At 31 December 2005	0.9%	1.2%	0.4%	0.5%	0.0%	1.0%
(ii) Risk free interest rate curve +17.5% - End 5 years	1.5%	2.3%	1.1%	1.6%	0.0%	1.0%
(iii) Risk free interest rate curve +17.5% - End 10 years	1.7%	2.3%	0.8%	1.1%	0.0%	1.0%
(i) Risk free interest rate curve -17.5% - At 31 December 2005	0.9%	1.2%	0.4%	0.5%	0.0%	1.0%
(ii) Risk free interest rate curve -17.5% - End 5 years	0.9%	1.4%	0.5%	0.7%	0.0%	1.0%
(iii) Risk free interest rate curve -17.5% - End 10 years	1.0%	1.4%	0.4%	0.5%	0.0%	1.0%

⁽¹⁾ Bonus rates are the weighted average of the high and low bonus rates.

- (6) The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following tables.

Lapse Rate Assumptions (%)								
	Policy Year							
	1	2	3	4	5	6	7	8+
Conventional With-profits Life business								
Regular Premium	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Single Premium	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Conventional With-profits Pensions business								
Regular Premium ⁽¹⁾	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Single Premium	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Conventional With-profits Industrial Branch business								
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Unitised Accumulating With-profits business								
	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Direct Unitised Accumulating With-profits business								
<i>Life</i>								
Regular Premium	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Single Premium ⁽²⁾	18.0	18.0	18.0	18.0	18.0	38.0	23.0	23.0
<i>Pensions</i>								
Regular Premium	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Single Premium	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<i>ISA and Bonus Account</i>	10.0	10.0	10.0	10.0	10.0	50.0	40.0	40.0
Reassurance Accepted Unitised Accumulating With-profits business (Life)								
	2.0	5.0	8.0	12.0	25.0	40.0	25.0	20.0

⁽¹⁾ These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.

⁽²⁾ In addition a partial withdrawal rate of 1% per annum of the initial investment is assumed, where applicable.

Paid Up Rate Assumptions (%)

	Policy Year					
	1	2	3	4	5	6+
Conventional With-profits Life business	1.0	1.0	1.0	1.0	1.0	1.0
Conventional With-profits Pensions business	4.0	4.0	4.0	4.0	4.0	4.0
Conventional With-profits Industrial Branch business	0.0	0.0	0.0	0.0	0.0	0.0
Non Unitised Accumulating With-profits business	9.0	9.0	9.0	9.0	9.0	9.0
Direct Unitised With-profits business						
Life	3.0	3.0	3.0	3.0	3.0	3.0
Pensions	10.0	10.0	10.0	10.0	10.0	10.0
ISA and Bonus Account	10.0	10.0	10.0	10.0	10.0	10.0
Reassurance Accepted Unitised Accumulating with- profits Business	N/A	N/A	N/A	N/A	N/A	N/A

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

	Projection Basis	
	Male	Female
Conventional With-profits Pensions business	75% AM80 Ultimate	75% AF80 Ultimate
Annuity Rate Guarantee – post vesting ⁽¹⁾	102.5% RMV92 projected	90.0% RFV92 projected

⁽¹⁾ CMIR17 improvement factors.

Annuity Rate Guarantee Take-up rate Assumptions		
Tax free cash percentage	Self Employed Deferred Annuity	19%
	Other Deferred Annuity	13%
Take-up rate	Self Employed Deferred Annuity	100%
	Other Deferred Annuity	95%

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

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

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

Other Long-Term Insurance Liabilities at 31 December 2005 (£m)	
Liability	Value
Pensions misselling	475
Other misselling provisions	8
Value of future profits from direct unitised accumulating with-profits business	(42)
Value of future profits from reinsurance accepted unitised with-profits business	(12)
Value of future shareholder transfers from direct unitised accumulating with-profits business	17
Value of accrued shareholder transfers	33
Value of future tax charges levied	228
Total	707

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly.'

9. Realistic Current Liabilities

The realistic current liabilities were £264m and the regulatory current liabilities were £326m. The following table gives a breakdown of the realistic current liabilities and a reconciliation to the regulatory current liabilities at 31 December 2005.

Current liabilities at 31 December 2005 (£m)	
Liability	Value
Outstanding claims	64
Other provisions	24
Creditors	176
Accruals and deferred income	1
Total Realistic Current liabilities	264
Deferred tax liability	61
Total Regulatory Current liabilities	326

10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2005 was zero.

The most onerous scenario is that which combines:

- (i) 20% fall in equity values; 12.5% fall in property values.
 - (ii) 17.5% fall in yield curve (UK assets), equivalent to a 0.72% nominal change in the long term gilt yield from 4.12% to 3.40%. US bond yields are reduced by 0.80%. Eurozone bond yields are reduced by 0.61%.
 - (iii) The average change in spreads for bonds was +127 basis points (weighted by value), resulting in a 6.2% fall in bond asset value. The fall in market value for swaps and swaptions was 5.4%.
 - (iv) The persistency risk scenario did not result in any change in the realistic value of liabilities. The persistency stress was not applied to the direct unitised accumulating with-profits business, since a reduction in termination rates would reduce its liability, due to their being no MVA.
 - (v) Not applicable.
- (b)
- (i) No additional management actions to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.
 - (ii) Not applicable.
 - (iii) Not applicable.
 - (iv) Not applicable.
- (c)
- (i) Not applicable.
 - (ii) Not applicable.

11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates are 20% on savings income and indexed capital gains (before allowance for deferral of gains) and nil on franked income. Tax relief on expenses is assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

The with-profit fund holds the following derivative positions:

- Purchased FTSE 100 Put Option with nominal exposure of £170m and strike price of 5025.
- A portfolio of purchased swaptions with nominal exposure of £859m. The options have maturity dates spread over the next 14 years. The underlying swaps entitle Pearl to receive the strike rate in exchange for the floating swap rate over a term of 15 years. The average strike rate was 5.2%.
- A portfolio of purchased swaptions with nominal exposure of £958m. The options have maturity dates spread over the next 25 years. The underlying swaps entitle Pearl to receive the floating rate in exchange for the strike rate over a term of 20 years. The average strike rate was 8.1%.
- A swap arrangement in which Pearl pays the coupons and maturity proceeds from an earmarked portfolio of gilts worth £452m, in return for a set of pre-defined inflation indexed cashflows over the next 38 years.
- A portfolio of interest rate swaps with nominal exposure of £837m in which Pearl pays floating rate coupons and receives fixed rate coupons. The average term to maturity is 24 years and the average rate of the fixed coupons is 4.4%.
- A portfolio of interest rate swaps with nominal exposure of £641m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to maturity is 13 years and the average rate of the fixed coupons is 4.5%.
- A portfolio of USD and Euro interest rate swaps with nominal exposure of £355m where Pearl pays fixed rate coupons and receives floating rate coupons. The average term to maturity is 9 years and the average of the fixed coupons is 4.2%.

13. Analysis of Working Capital

Analysis of Movement in Working Capital (£m)	
With-Profits Fund Working Capital at 31 December 2004	326
Opening Adjustments	6
Investment returns and economic conditions	125
Investment assumptions (asset share EBR)	(12)
Surrenders	15
Expenses	(5)
Liability assumption changes	(87)
Unexplained	(12)
Planned Enhancements reserve	(356)
Reported Working Capital at 31 December 2005	0

Overall the investment returns and changes in economic conditions increased working capital by £125m. This arose mainly from strong equity and property returns throughout the year.

The liability assumption changes includes a change to the assumed annuity pricing margin for the pensions mis-selling liability of £(37)m and an increase in the future annual bonus on pension contracts of £(39)m.

14. Optional Disclosure

Not applicable.

Returns under the Accounts and Statements Rules

Statement required under Rule 9.32

PEARL ASSURANCE PLC

Global Business

Financial year ended 31st December 2005

Reinsurance contracts entered into in the year

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

Reinsurance premiums ceded in the year

	Class of business	Non- facultative reinsurance £'000
570	Non Proportional Treaty	7
670	Proportional Treaty	3
		<hr/>
		10

All premiums ceded relate to non facultative reinsurance.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34

Pearl Assurance PLC

Global Business

Financial year ended 31st December 2005

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and
- (b) the directors are satisfied :
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and
- (d) the directors have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

I W Laughlin
Managing Director

J S Moss
Director

W R Treen
Director

Date: March 2006

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

PEARL ASSURANCE PLC

Global business

Financial year ended 31st December 2005

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

- Forms 1 to 3, 11 to 25, 28 to 31, 36 to 44, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statements required by rules 9.25, 9.26, 9.27 and 9.29 ("the statements"); and
- the reports required by rule 9.31 ("the valuation reports").

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

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

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Act on 4th December 2003, which was varied on 7th May and 11th November 2004. Under rule 9.11 the Forms, the statements, the valuation reports are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3 and 7.4.

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

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

PEARL ASSURANCE PLC

Global business

Financial year ended 31st December 2005

(continued)

Basis of opinion

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

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

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

Opinion

In our opinion:

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

Ernst & Young LLP
Registered Auditor

Date: March 2006

1 More London Place
London
SE1 2AF