

Commercial Union Life Assurance Company Limited

Registered office: St Helen's, 1 Undershaft, London, EC3P 3DQ

**Annual FSA Insurance Returns for the year ended
31st December 2003**



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Global Business

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Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)

Name of insurer **Commercial Union Life Assurance Company Limited**

Global Business

Financial year ended **31st December 2003**

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Statement of solvencyName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

R9	Company registration number 79678	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
	As at the end of this financial year 1	As at the end of the previous year 2	31	12	2003	
			Source			
			<	>	?	

GENERAL INSURANCE BUSINESS**Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11			See instructions 1 and 2
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Required minimum margin

Required minimum margin for general insurance business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

LONG TERM INSURANCE BUSINESS**Available assets**

Long term insurance business admissible assets	21	14352948	13344925	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	90218	56305	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	12338216	12550869	See instruction 4
Other insurance and non-insurance liabilities	24	372613	343938	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	1732337	506423	

Implicit Items admitted under Rule 2.10(5) as modified

Future profits	31		411807	
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	1732337	918230	
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Required minimum margin

Required minimum margin for long term insurance business	41	475650	494168	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	79275	82361	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	1653062	424062	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	1256687	424062	

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6

Analysis of the effect of financial engineering on long-term available assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R9A	79678	GL	31	12	2003	£000
		As at the end of this financial year	As at the end of the previous year		Source	
		1	2			
Required minimum margin for long term insurance business	11	475650	494168		See instruction 2	
Excess (deficiency) of available assets and implicit items over the required minimum margin	12	1256687	424062		See instruction 3	
Total available assets and implicit items (11+12)	13	1732337	918230			
Analysed as follows:						
Value of implicit items	14		411807		See instruction 5	
Financial reinsurance- ceded	15				See instruction 6	
Financial reinsurance- accepted	16	57263	52971		See instruction 7	
Outstanding contingent loans	17				See instruction 8	
Any other charges on future profits	18				See instruction 9	
Sum of financial engineering adjustments (14+15-16+17+18)	19	(57263)	358836			
Other assets (13-19)	20	1789600	559394			
Total available assets and implicit items (19+20)	21	1732337	918230			

Statement of net assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

	R10	Company registration number 79678	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2003	
				As at the end of this financial year			Source
				1			< > ?
				As at the end of the previous year			
				2			
Long term insurance business - admissible assets	11	14352948		13344925			13 . 89 . 1
Long term insurance business - liabilities and margins	12	14352948		13344925			14 . 59 . 1

Other than Long term insurance business - admissible assets	21	90960					13 . 89 . 1	
Other than Long term insurance business - liabilities	22	742					15 . 69 . 1	
Net admissible assets (21-22)	23	90218						
Other assets allowed to be taken into account in covering the required minimum margin		Unpaid amounts (including share premium) on partly paid shares	24					
		Supplementary contributions for a mutual carrying on general insurance business	25					
Liabilities allowed to be left out of account in covering the required minimum margin		Subordinated loan capital	26					
		Cumulative preference share capital	27					
Available assets (23 to 27)	29	90218						

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	3175					
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56	87043					
Total (51 to 56) and equal to line 29 above	59	90218					

Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61						10 . 56 . 2
Retained profit/(loss) for the financial year	62	33589					16 . 59 . 1
Movement in asset valuation differences	63						See instruction 2
Decrease/(increase) in the provision for adverse changes	64						See instruction 3
Other movements (particulars to be specified by way of supplementary note)	65	53454					
Balance carried forward at the end of the financial year (61 to 65)	69	87043					

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2003	£000	1
					day	month	year		
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11				
Investments in group undertakings and participating interests	UK insurance business dependants	Shares		21					
		Debt securities issued by, and loans to, dependants		22					
	Other insurance dependants	Shares		23					
		Debt securities issued by, and loans to, dependants		24					
	Non-insurance dependants	Shares		25					
		Debt securities issued by, and loans to, dependants		26					
	Other group undertakings and participating interests	Shares		27					
		Debt securities issued by, and loans to, group undertakings		28					
		Participating interests		29					
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest		30					
Total sheet 1 (11 to 30)					39				

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	79678	GL	31	12	2003	£000	1
Investments (continued)						As at the end of this financial year	As at the end of the previous year	
Deposits with ceding undertakings						1	2	
Assets held to cover linked liabilities								
Other financial investments	Equity shares			41				
	Other shares and other variable yield securities			42				
	Holdings in collective investment schemes			43				
	Rights under derivative contracts			44				
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45				
			Other	46				
		Variable interest	Approved securities	47				
			Other	48				
	Participation in investment pools			49				
	Loans secured by mortgages			50				
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51				
		Loans secured by policies of insurance issued by the company		52				
		Other		53				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54		18322		
		Withdrawal subject to a time restriction of more than one month		55				
	Other			56				
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58					
	Property linked		59					
Reinsurers' share of technical provisions	Provision for unearned premiums		60					
	Claims outstanding		61					
	Provision for unexpired risks		62					
	Other		63					
Total sheet 2 (41 to 63)			69		18322			

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	79678	GL	31	12	2003	£000	1
Debtors							As at the end of this financial year	As at the end of the previous year
Other assets							1	2
Debtors arising out of direct insurance operations	Policyholders			71				
	Intermediaries			72				
Salvage and subrogation recoveries				73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74				
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75				
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76				
		Due more than 12 months after the end of the financial year		77				
	Other	Due in 12 months or less after the end of the financial year		78		56128		
		Due more than 12 months after the end of the financial year		79				
Tangible assets				80				
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81		16510		
	Cash in hand			82				
Other assets (particulars to be specified by way of supplementary note)				83				
Prepayments and accrued income	Accrued interest and rent			84				
	Deferred acquisition costs			85				
	Other prepayments and accrued income			86				
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88		72638		
Grand total of admissible assets (39+69+88)				89		90960		
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets (as per line 89 above)				91		90960		
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92				
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				93				
Other differences in the valuation of assets (other than for assets not valued above)				94				
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95				
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99		90960		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		5604		

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2003	£000	10
					day	month	year		
Investments					As at the end of this financial year		As at the end of the previous year		
					1		2		
Land and buildings					11	1199561		1349299	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares			21	7764		9242	
		Debt securities issued by, and loans to, dependants			22				
	Other insurance dependants	Shares			23				
		Debt securities issued by, and loans to, dependants			24				
	Non-insurance dependants	Shares			25				
		Debt securities issued by, and loans to, dependants			26				
	Other group undertakings and participating interests	Shares			27				
		Debt securities issued by, and loans to, group undertakings			28				
		Participating interests			29				
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest			30				
Total sheet 1 (11 to 30)					39	1207325		1358541	

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2003	£000	10
				day	month	year			
Investments (continued)				As at the end of this financial year			As at the end of the previous year		
Deposits with ceding undertakings				1			2		
Assets held to cover linked liabilities									
Other financial investments	Equity shares		41	6316156			4934705		
	Other shares and other variable yield securities		42						
	Holdings in collective investment schemes		43	321974			144518		
	Rights under derivative contracts		44	47965			69588		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	3508381			4106100	
			Other	46	2365629			2209637	
		Variable interest	Approved securities	47	8677			6710	
			Other	48	55734			82691	
	Participation in investment pools		49						
	Loans secured by mortgages		50						
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52	4407			5586	
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	69194			19318	
		Withdrawal subject to a time restriction of more than one month		55					
Other		56							
Deposits with ceding undertakings		57							
Assets held to match linked liabilities	Index linked		58	642			31823		
	Property linked		59	18720			18449		
Reinsurers' share of technical provisions	Provision for unearned premiums		60						
	Claims outstanding		61						
	Provision for unexpired risks		62						
	Other		63						
Total sheet 2 (41 to 63)		69	12717479			11629125			

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	79678	GL	31	12	2003	£000	10
Debtors							As at the end of this financial year	As at the end of the previous year
Other assets							1	2
Debtors arising out of direct insurance operations	Policyholders		71			16493		9738
	Intermediaries		72					
Salvage and subrogation recoveries			73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted		74			8859		34761
	Due from reinsurers and intermediaries under reinsurance contracts ceded		75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year	76					
		Due more than 12 months after the end of the financial year	77					
	Other	Due in 12 months or less after the end of the financial year	78			185041		134647
		Due more than 12 months after the end of the financial year	79					
Tangible assets			80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities		81			108608		62297
	Cash in hand		82					
Other assets (particulars to be specified by way of supplementary note)			83					
Prepayments and accrued income	Accrued interest and rent		84			93514		101162
	Deferred acquisition costs		85					
	Other prepayments and accrued income		86			15629		14654
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets			87					
Total sheet 3 (71 to 86 less 87)			88			428144		357259
Grand total of admissible assets (39+69+88)			89			14352948		13344925
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets (as per line 89 above)			91			14352948		13344925
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)			92			12687		12817
Solvency margin deduction for subsidiary undertakings which are insurance undertakings			93			24882		14931
Other differences in the valuation of assets (other than for assets not valued above)			94			19415		22336
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)			95					
Total assets determined in accordance with the insurance accounts rules (91 to 95)			99			14409932		13395009
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance			100			18570		16503

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
		R13	79678	GL	31	12	2003	£000	11	
						day	month	year		
Investments						As at the end of this financial year		As at the end of the previous year		
						1		2		
Land and buildings						11	1199561		1349299	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21			7764		9242		
		Debt securities issued by, and loans to, dependants	22							
	Other insurance dependants	Shares	23							
		Debt securities issued by, and loans to, dependants	24							
	Non-insurance dependants	Shares	25							
		Debt securities issued by, and loans to, dependants	26							
	Other group undertakings and participating interests	Shares	27							
		Debt securities issued by, and loans to, group undertakings	28							
		Participating interests	29							
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest	30							
Total sheet 1 (11 to 30)						39	1207325		1358541	

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
		R13	79678	GL	31	12	2003	£000	11	
					day	month	year			
Investments (continued)					As at the end of this financial year		As at the end of the previous year			
Deposits with ceding undertakings					1		2			
Assets held to cover linked liabilities										
Other financial investments	Equity shares			41	6316156		4934705			
	Other shares and other variable yield securities			42						
	Holdings in collective investment schemes			43	321974		144518			
	Rights under derivative contracts			44	47965		69588			
	Debt securities and other fixed income securities	Fixed interest	Approved securities		45	3415959		4019431		
			Other		46	2365629		2205665		
		Variable interest	Approved securities		47	8677		6710		
			Other		48	55734		82691		
	Participation in investment pools			49						
	Loans secured by mortgages			50						
	Other loans	Loans to public or local authorities and nationalised industries or undertakings			51					
		Loans secured by policies of insurance issued by the company			52	4407		5586		
		Other			53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less			54	65166		15318		
		Withdrawal subject to a time restriction of more than one month			55					
Other			56							
Deposits with ceding undertakings			57							
Assets held to match linked liabilities	Index linked			58	642		31823			
	Property linked			59	18720		18449			
Reinsurers' share of technical provisions	Provision for unearned premiums			60						
	Claims outstanding			61						
	Provision for unexpired risks			62						
	Other			63						
Total sheet 2 (41 to 63)			69	12621029		11534484				

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	79678	GL	31	12	2003	£000	11
Debtors								
Other assets								
						As at the end of this financial year		As at the end of the previous year
						1		2
Debtors arising out of direct insurance operations	Policyholders		71			16493		9694
	Intermediaries		72					
Salvage and subrogation recoveries			73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted		74			5832		32890
	Due from reinsurers and intermediaries under reinsurance contracts ceded		75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year	76					
		Due more than 12 months after the end of the financial year	77					
	Other	Due in 12 months or less after the end of the financial year	78			184461		132079
		Due more than 12 months after the end of the financial year	79					
Tangible assets			80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities		81			108608		62271
	Cash in hand		82					
Other assets (particulars to be specified by way of supplementary note)			83					
Prepayments and accrued income	Accrued interest and rent		84			91916		99984
	Deferred acquisition costs		85					
	Other prepayments and accrued income		86			15629		14654
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets			87					
Total sheet 3 (71 to 86 less 87)			88			422939		351572
Grand total of admissible assets (39+69+88)			89			14251293		13244597
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets (as per line 89 above)			91			14251293		13244597
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)			92			12687		12817
Solvency margin deduction for subsidiary undertakings which are insurance undertakings			93			24882		14931
Other differences in the valuation of assets (other than for assets not valued above)			94			19390		22336
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)			95					
Total assets determined in accordance with the insurance accounts rules (91 to 95)			99			14308252		13294681
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance			100			17990		15924

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2003	£000	12
						day	month	year	
Investments						As at the end of this financial year	1	As at the end of the previous year	2
Land and buildings						11			
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21						
		Debt securities issued by, and loans to, dependants	22						
	Other insurance dependants	Shares	23						
		Debt securities issued by, and loans to, dependants	24						
	Non-insurance dependants	Shares	25						
		Debt securities issued by, and loans to, dependants	26						
	Other group undertakings and participating interests	Shares	27						
		Debt securities issued by, and loans to, group undertakings	28						
		Participating interests	29						
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest	30						
Total sheet 1 (11 to 30)						39			

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2003	£000	12
					day	month	year		
Investments (continued)					As at the end of this financial year		As at the end of the previous year		
Deposits with ceding undertakings					1		2		
Assets held to cover linked liabilities									
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities		45		92422		86669
			Other		46				3972
		Variable interest	Approved securities		47				
			Other		48				
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings			51				
		Loans secured by policies of insurance issued by the company			52				
		Other			53				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less			54		4028		4000
		Withdrawal subject to a time restriction of more than one month			55				
	Other			56					
Deposits with ceding undertakings			57						
Assets held to match linked liabilities	Index linked			58					
	Property linked			59					
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61					
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)			69			96450		94641	

Analysis of admissible assetsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	79678	GL	31	12	2003	£000	12
Debtors								
Other assets								
						As at the end of this financial year		As at the end of the previous year
						1		2
Debtors arising out of direct insurance operations	Policyholders			71				44
	Intermediaries			72				
Salvage and subrogation recoveries				73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74		3027		1871
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75				
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76				
		Due more than 12 months after the end of the financial year		77				
	Other	Due in 12 months or less after the end of the financial year		78		580		2568
		Due more than 12 months after the end of the financial year		79				
Tangible assets				80				
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81				26
	Cash in hand			82				
Other assets (particulars to be specified by way of supplementary note)				83				
Prepayments and accrued income	Accrued interest and rent			84		1598		1178
	Deferred acquisition costs			85				
	Other prepayments and accrued income			86				
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88		5205		5687
Grand total of admissible assets (39+69+88)				89		101655		100328
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets (as per line 89 above)				91		101655		100328
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92				
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				93				
Other differences in the valuation of assets (other than for assets not valued above)				94		25		
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95				
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99		101680		100328
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		580		579

Long term insurance business liabilities and marginsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R14	79678	GL	31	12	2003	£000	10
			As at the end of this financial year 1	As at the end of the previous year 2			Source	
Mathematical reserves, after distribution of surplus	11	12236210	12432080				See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12						See Instruction 3	
Balance of surplus/(valuation deficit)	13	20	8353				See Instruction 4	
Long term insurance business fund carried forward (11 to 13)	14	12236230	12440433				See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year		Gross amount	15	34452	27340			
		Reinsurers' share	16					
		Net (15-16)	17	34452	27340			
Provisions for other risks and charges		Taxation	21	9186	2625			
		Other	22	686	749			
Deposits received from reinsurers	23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	60355	7539			
		Reinsurance accepted	32					
		Reinsurance ceded	33	17454	457			
	Debenture loans	Secured	34					
		Unsecured	35					
		Amounts owed to credit institutions	36		13001			
	Other creditors	Taxation	37	67522	51599			
		Other	38	164725	191095			
Accruals and deferred income	39	18233	49533					
Provision for adverse changes (calculated in accordance with rule 5.3)	41							
Total other insurance and non-insurance liabilities (17 to 41)	49	372613	343938					
Excess of the value of net admissible assets	51	1744105	560554				See Instruction 6	
Total liabilities and margins	59	14352948	13344925					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	46710	26349					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	18720	18449					
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate	63	102006	118789				See Instruction 7	

Long term insurance business liabilities and marginsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R14	79678	GL	31	12	2003	£000	11
			As at the end of this financial year 1	As at the end of the previous year 2			Source	
Mathematical reserves, after distribution of surplus	11	12166101	12358418				See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12						See Instruction 3	
Balance of surplus/(valuation deficit)	13		8333				See Instruction 4	
Long term insurance business fund carried forward (11 to 13)	14	12166101	12366751				See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15	34452	27340				
	Reinsurers' share	16						
	Net (15-16)	17	34452	27340				
Provisions for other risks and charges	Taxation	21	8742					
	Other	22	686	749				
Deposits received from reinsurers	23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	60352	7490			
		Reinsurance accepted	32					
		Reinsurance ceded	33	17414	417			
	Debenture loans	Secured	34					
		Unsecured	35					
	Amounts owed to credit institutions		36		13001			
	Other creditors	Taxation	37	67403	51599			
		Other	38	142021	173252			
Accruals and deferred income	39	18233	49533					
Provision for adverse changes (calculated in accordance with rule 5.3)	41							
Total other insurance and non-insurance liabilities (17 to 41)	49	349303	323381					
Excess of the value of net admissible assets	51	1735889	554465				See Instruction 6	
Total liabilities and margins	59	14251293	13244597					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	40115	24933					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	18720	18449					
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate	63	107458	118789				See Instruction 7	

Long term insurance business liabilities and marginsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R14	79678	GL	31	12	2003	£000	12
			As at the end of this financial year 1	As at the end of the previous year 2			Source	
Mathematical reserves, after distribution of surplus	11	70109	73662				See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12						See Instruction 3	
Balance of surplus/(valuation deficit)	13	20	20				See Instruction 4	
Long term insurance business fund carried forward (11 to 13)	14	70129	73682				See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15						
	Reinsurers' share	16						
	Net (15-16)	17						
Provisions for other risks and charges	Taxation	21	444	2625				
	Other	22						
Deposits received from reinsurers	23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	3	49			
		Reinsurance accepted	32					
		Reinsurance ceded	33	40	40			
	Debenture loans	Secured	34					
		Unsecured	35					
	Amounts owed to credit institutions		36					
	Other creditors	Taxation	37	119				
		Other	38	22704	17843			
Accruals and deferred income	39							
Provision for adverse changes (calculated in accordance with rule 5.3)	41							
Total other insurance and non-insurance liabilities (17 to 41)	49	23310	20557					
Excess of the value of net admissible assets	51	8216	6089				See Instruction 6	
Total liabilities and margins	59	101655	100328					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6595	1416					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate	63	(5452)					See Instruction 7	

Liabilities (other than long term insurance business)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

		Company registration number	GL/UK/CM	Period ended			Units		
		R15	79678	GL	31	12	2003	£000	
				As at the end of this financial year			As at the end of the previous year		
				1			2		
Technical provisions (gross amount)	Provision for unearned premiums			11					
	Claims outstanding			12					
	Provision for unexpired risks			13					
	Equalisation provisions	Credit business			14				
		Other than credit business			15				
	Other			16					
Total (11 to 16)				19					
Provisions for other risks and charges	Taxation			21					
	Other			22					
Deposits received from reinsurers				31					
Creditors	Arising out of insurance operations	Direct insurance business			41				
		Reinsurance accepted			42				
		Reinsurance ceded			43				
	Debenture loans	Secured			44				
		Unsecured			45				
	Amounts owed to credit institutions				46				
	Other creditors	Taxation			47	366			
		Recommended dividend			48				
		Other			49	376			
Accruals and deferred income				51					
Total (19 to 51)				59	742				
Provision for adverse changes (calculated in accordance with rule 5.3) [Regulation 61 of the Insurance Companies Regulations 1994]				61					
Cumulative preference share capital				62					
Subordinated loan capital				63					
Total (59 to 63)				69	742				
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance				71					

Profit and loss account (non-technical account)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

		Company registration number	GL/UK/CM	Period ended			Units	
		R16	79678	GL	31	12	2003	£000
		This financial year		Previous year		Source		
		1		2		<	>	?
Transfer (to)/from the general insurance business technical account	From Form 20	11				20 . 59		
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13	33284			40 . 26		
Investment income	Income	14	434					
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17						
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general insurance business technical account		20				20 . 51		
Other income and charges (particulars to be specified by way of supplementary note)		21						
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	33718					
Tax on profit or loss on ordinary activities		31	129					
Profit or loss on ordinary activities after tax (29-31)		39	33589					
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	33589					
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	33589					

Analysis of derivative contractsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Insurance Business **Long term**Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	79678	GL	31	12	2003	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts	Fixed-interest securities	11	2659	747					
	Equity shares	12							
	Land	13							
	Currencies	14	39367	8296	20034		14554		
	Other	15	125	36					
Options	Fixed-interest securities	21							4
	Equity shares	22	18		49390		35029		
	Land	23							
	Currencies	24							
	Other	25	125	114	164		358		
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	4159	7718					
	Land	33							
	Currencies	34	1512						
	Other	35							
Adjustments for variation margin		41		(1512)					
Total (11 to 41)		49	47965	15399	69588		49945		

Analysis of derivative contractsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Insurance Business **Long term**Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	79678	GL	31	12	2003	£000	11
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11	2659	747					
	Equity shares	12							
	Land	13							
	Currencies	14	39367	8296	20034		14554		
	Other	15	125	36					
Options	Fixed-interest securities	21							4
	Equity shares	22	18		49390		35029		
	Land	23							
	Currencies	24							
	Other	25	125	114	164		358		
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	4159	7718					
	Land	33							
	Currencies	34	1512						
	Other	35							
Adjustments for variation margin		41		(1512)					
Total (11 to 41)		49	47965	15399	69588		49945		

Long term insurance business : Revenue accountName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Summary**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	79678	GL	31	12	2003	£000	OB	99	0
Items to be shown net of reinsurance ceded							The financial year	Previous year		
							1	2		
Earned premiums						11	794461	1626050		
Investment income receivable before deduction of tax						12	636700	563812		
Increase (decrease) in the value of non-linked assets brought into account						13	(441474)	(896547)		
Increase (decrease) in the value of linked assets						14	2132	(2015)		
Other income						15				
Total income (11 to 15)						19	991819	1291300		
Claims incurred						21	974190	948080		
Expenses payable						22	126757	158367		
Interest payable before deduction of tax						23	10005	6565		
Taxation						24	51786	(58883)		
Other expenditure						25				
Transfer to (from) non technical account						26	33284	47567		
Total expenditure (21 to 26)						29	1196022	1101696		
Increase (decrease) in fund in financial year (19-29)						39	(204203)	189604		
Fund brought forward						49	12440433	12250829		
Fund carried forward (39+49)						59	12236230	12440433		

Long term insurance business : Revenue accountName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Commercial Union Life Fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund
			day	month	year				
R40	79678	GL	31	12	2003	£000	OB	1	99
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	792338	1622827		
Investment income receivable before deduction of tax					12	631250	559746		
Increase (decrease) in the value of non-linked assets brought into account					13	(438289)	(897048)		
Increase (decrease) in the value of linked assets					14	2132	(2015)		
Other income					15				
Total income (11 to 15)					19	987431	1283510		
Claims incurred					21	966469	940617		
Expenses payable					22	127574	157810		
Interest payable before deduction of tax					23	10003	6563		
Taxation					24	50751	(57400)		
Other expenditure					25				
Transfer to (from) non technical account					26	33284	47567		
Total expenditure (21 to 26)					29	1188081	1095157		
Increase (decrease) in fund in financial year (19-29)					39	(200650)	188353		
Fund brought forward					49	12366751	12178398		
Fund carried forward (39+49)					59	12166101	12366751		

Long term insurance business : Revenue accountName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Permanent Health Fund 2**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund
			day	month	year				
R40	79678	GL	31	12	2003	£000	OB	2	0
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	2123	3223		
Investment income receivable before deduction of tax					12	5450	4066		
Increase (decrease) in the value of non-linked assets brought into account					13	(3185)	501		
Increase (decrease) in the value of linked assets					14				
Other income					15				
Total income (11 to 15)					19	4388	7790		
Claims incurred					21	7721	7463		
Expenses payable					22	(817)	557		
Interest payable before deduction of tax					23	2	2		
Taxation					24	1035	(1483)		
Other expenditure					25				
Transfer to (from) non technical account					26				
Total expenditure (21 to 26)					29	7941	6539		
Increase (decrease) in fund in financial year (19-29)					39	(3553)	1251		
Fund brought forward					49	73682	72431		
Fund carried forward (39+49)					59	70129	73682		

Long term insurance business : Analysis of premiums and expenses

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Summary**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
			day	month	year					
	R41	79678	GL	31	12	2003	£000	OB	99	0
						Gross 1	Payable to or recoverable from reinsurers 2	Net of reinsurance (1-2) 3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium	11		316146			316146		
		Regular premium	12		188673			188673		
	Pension business contracts	Single premium	13		174096		39006	135090		
		Regular premium	14		208243		64215	144028		
	Permanent health contracts	Single premium	15							
		Regular premium	16		13866		3342	10524		
	Other contracts	Single premium	17							
		Regular premium	18							
	Total premiums	Single premium	19		490242		39006	451236		
		Regular premium	29		410782		67557	343225		
Total premiums at lines 19 and 29 attributable to	UK contracts	31		861400		106561	754839			
	Overseas contracts	32		39624		2	39622			
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41		40360			40360		
	Other commission payable		42		8759		2044	6715		
	Management expenses in connection with acquisition of business		43		26065			26065		
	Management expenses in connection with maintenance of business		44		41661			41661		
	Other management expenses		45		11956			11956		
	Total expenses (41 to 45)		49		128801		2044	126757		
	Total expenses at line 49 attributable to	UK contracts	51		128312		2044	126268		
Overseas contracts		52		489			489			

Long term insurance business : Analysis of premiums and expensesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Commercial Union Life Fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
			day	month	year					
	R41	79678	GL	31	12	2003	£000	OB	1	99
						Gross 1	Payable to or recoverable from reinsurers 2	Net of reinsurance (1-2) 3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium	11		316146			316146		
		Regular premium	12		188673			188673		
	Pension business contracts	Single premium	13		174096		39006	135090		
		Regular premium	14		208243		64215	144028		
	Permanent health contracts	Single premium	15							
		Regular premium	16		8401			8401		
	Other contracts	Single premium	17							
		Regular premium	18							
	Total premiums	Single premium	19		490242		39006	451236		
		Regular premium	29		405317		64215	341102		
Total premiums at lines 19 and 29 attributable to	UK contracts	31		855935		103219	752716			
	Overseas contracts	32		39624		2	39622			
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41		40366			40366		
	Other commission payable		42		8649			8649		
	Management expenses in connection with acquisition of business		43		26031			26031		
	Management expenses in connection with maintenance of business		44		40592			40592		
	Other management expenses		45		11936			11936		
	Total expenses (41 to 45)		49		127574			127574		
	Total expenses at line 49 attributable to	UK contracts	51		127085			127085		
Overseas contracts		52		489			489			

Long term insurance business : Analysis of claimsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Summary**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
				day	month	year					
		R42	79678	GL	31	12	2003	£000	OB	99	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers	Net of reinsurance (1-2)			
					1	2	3				
Life assurance and annuity contracts	On death	11	151796	228	151568						
	By way of lump sums on maturity	12	200121		200121						
	By way of annuity payments	13	6414	402	6012						
	By way of payments arising from other insured events	14									
	On surrender or partial surrender	15	393149	6620	386529						
	Total life assurance and annuity claims (11 to 15)	19	751480	7250	744230						
Pension business contracts	On death	21	10731	1101	9630						
	By way of lump sums on vesting	22	78514	14726	63788						
	By way of vested annuity payments	23	81801		81801						
	On surrender or partial surrender	24	95122	28493	66629						
	Total pension business claims (21 to 24)	29	266168	44320	221848						
Permanent health contracts	By way of lump sums	31									
	By way of periodical payments	32	8974	862	8112						
	Total permanent health claims (31+32)	39	8974	862	8112						
Other contracts	By way of lump sums	41									
	By way of periodical payments	42									
	Total claims (41+42)	49									
Total claims (19+29+39+49)		59	1026622	52432	974190						
Total claims at line 59 attributable to	UK contracts	61	1023973	52432	971541						
	Overseas contracts	62	2649		2649						

Long term insurance business : Analysis of claimsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Commercial Union Life Fund 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
				day	month	year					
		R42	79678	GL	31	12	2003	£000	OB	1	99
Claims incurred in the financial year					Gross		Recoverable from reinsurers	Net of reinsurance (1-2)			
					1		2	3			
Life assurance and annuity contracts	On death	11	151796	228	151568						
	By way of lump sums on maturity	12	200121		200121						
	By way of annuity payments	13	6414	402	6012						
	By way of payments arising from other insured events	14									
	On surrender or partial surrender	15	393149	6620	386529						
	Total life assurance and annuity claims (11 to 15)	19	751480	7250	744230						
Pension business contracts	On death	21	10731	1101	9630						
	By way of lump sums on vesting	22	78514	14726	63788						
	By way of vested annuity payments	23	81801		81801						
	On surrender or partial surrender	24	95122	28493	66629						
	Total pension business claims (21 to 24)	29	266168	44320	221848						
Permanent health contracts	By way of lump sums	31									
	By way of periodical payments	32	391		391						
	Total permanent health claims (31+32)	39	391		391						
Other contracts	By way of lump sums	41									
	By way of periodical payments	42									
	Total claims (41+42)	49									
Total claims (19+29+39+49)		59	1018039	51570	966469						
Total claims at line 59 attributable to	UK contracts	61	1015390	51570	963820						
	Overseas contracts	62	2649		2649						

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2003**

- 1 The investigation was made at 31 December 2003.
- 2 The date to which the previous investigation related was 31 December 2002.
- 3 The valuation has been made in conformity with IPRU (INS) rule 5.6.
- 4 **Non linked contracts**

(a) Accumulating with-profit policies

Personal Pension Plans

This category consists of the contracts listed below, under which premiums can be invested in a unitised with profits fund (the Pensions With Profits Fund) as well as internal linked funds.

- Sterling Personal Pension Plan, Free-Standing AVC and Executive Pension Plan
- Optimiser Personal Pension Plan, Free-Standing AVC and Executive Pension Plan
- Lifestyler Personal Pension Plan, Free-Standing AVC and Executive Pension Plan

Further details of the Pensions With Profits Fund are provided below. The contracts are further described in paragraph 5 below, where details of contractual charges are given.

i) **Deductions from identifiable current benefit**

The Company reserves the right to adjust the value of units by applying a Market Value Reduction (MVR) in the following circumstances:

- Transfer to another provider.
- Early retirement.
- Switches to internal linked funds.
- The adjustment is not applied on normal retirement or death.
- The adjustment is applied at the Company's discretion. In determining an MVR the investment performance of the Pensions With Profits fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.
- A discretionary final bonus may also be added or adjusted at any time.

ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by year of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.

iii) **Guaranteed investment returns**

The price of units in the Pensions With Profits Fund is guaranteed never to fall.

The value of units purchased on or before 31 December 1992 will increase by a minimum guaranteed rate of 4.0% per annum.

iv) There are no guaranteed surrender values.

v) **Options**

Units in the Pensions With-Profits Fund may be switched to the internal linked funds at any time.

Switches and redirection of premiums into the Pensions With-Profits Fund are permitted, except within five years of the selected retirement date.

- A discretionary final bonus may also be added or adjusted at any time.

Sterling Group (Unitised) Plan

This is a contract under which premiums can be invested in a unitised with profits fund (the Pensions With Profits Fund) as well as internal linked funds.

Detail specific to the Pensions With Profits Fund is described below. The contract is further described in paragraph 5 below, where details of contractual charges are given.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

i) **Deductions from identifiable current benefit**

The Company reserves the right to adjust the bid value of units by applying an MVR on:

- Transfer to another provider.
- Early retirement.
- Switches to internal linked funds.
- The adjustment is not applied on normal retirement or death.
- The adjustment is applied at the Company's discretion. In determining an MVR the investment performance of the Pensions With Profits fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.

ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by year of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.

iii) **Guaranteed investment returns**

The price of units in the Pensions With Profits Fund is guaranteed never to fall. The value of units purchased on or before 31st December 1992 will increase by a minimum guaranteed rate of 4.0% per annum.

iv) There are no guaranteed surrender values.

v) **Options**

- Units in the Pensions With Profits Fund may be switched to the internal linked funds at any time.
- Switches and redirection of premiums into the Pensions With Profits Fund are permitted, except within 5 years of the selected retirement date.

Sterling Group (Deposit Administration) Plan

This is a group pensions contract under which premiums minus charges are accumulated in members' accounts to provide a cash sum at retirement. The cash sum is used to provide benefits for the scheme member.

i) The benefits are related to the identifiable current value of a member's account as follows:

Retirement benefits

- On or after the selected normal retirement date, the value of the member's account, plus any final bonus.
- Before the selected normal retirement date, the value of the member's account, plus any final bonus, less any discontinuance charges.
- These amounts, without further penalty (other than possible MVR), may be transferred to another insurance company to purchase pension benefits.

Death benefits

- The full value of a member's account, plus any final bonus. Additional life cover is also available.

Leaving service (other than through death or retirement)

- The member's account may be maintained in the scheme to provide benefits on death or retirement, less any discontinuance charge.
- The amount of the member's account, less any discontinuance charge and/or market value adjustment, may be transferred to another insurance company.
- In certain circumstances the member may take a refund of contributions, less a deduction for tax.

Charges

Initial charges:

- 6% of each regular contribution.
- 4% of each single and protected contribution, including transfers (prior to March 1993, transfers were charged at 1%).

Administration charges:

	Scheme	Member With contribution	Member Without contribution
Contracted out	£42.80	£3.25	£1.40
Not contracted out	£36.95	£2.80	£1.40

The level of charge is not guaranteed, except that in the first five policy years, the scheme and member charges are guaranteed not to increase by more than the increase in the National Average Earnings Index over the corresponding period.

Discontinuance charges:

A charge is currently made if contributions have not been paid for more than ten years and there are more than five complete years to Normal Retirement Date when contributions cease. The charge is a proportion of the value of the member's account relating to regular ordinary contributions.

	Number of years for which contributions have been paid										
	0	1	2	3	4	5	6	7	8	9	10
Charge	20%	20%	20%	16%	12%	10%	8%	6%	4%	2%	0%

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Where contributions cease between five and ten years to retirement the charge increases linearly; 0% at five years increasing to the rates above at ten years.

An MVR may be applied when the investment performance is less than the credited return. The adjustment is not applied on normal retirement or death.

- ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by year of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.
- iii) The value of a member's account is guaranteed not to fall.
- iv) There are no guaranteed surrender values.
- v) There are no options.

With Profits Bonds

This category consists of the contracts listed below, which may invest in the Life With-Profits Fund:

Classic Investment Bond
Premier Bond
With Profits Bond

The Classic Investment Bond and Premier Bond are single premium whole life linked contracts where there is an option to invest in a unitised with profits fund (the Life With Profits Fund). The With Profits Bond is a single premium whole life contract wholly invested in the Life With Profits Fund, which is identical to the Classic Investment Bond in all other respects. Detail specific to the Life With Profits Fund is described below. The contracts are further described in paragraph 5 below, where details of other contractual charges are given.

i) Deductions from identifiable current benefit

Contractual adjustments

If units in the Life With Profits Fund are held for less than 5 years, a charge is applied to the bid value of units as follows. The charge is not applied on death, nor to 'protected withdrawals' (see below):

Percentage Reduction to the Bid Value of Units						
Policies issued		Complete Years in Force				
After	Before	None	1	2	3	4
Classic/With Profits Bond						
N/a	31/5/95	3%	3%	2%	1%	n/a
1/6/95	14/7/95	5%	5%	3%	1%	n/a
15/7/95	21/4/96	3%	3%	2%	1%	n/a
22/4/96	10/9/96	5%	5%	3%	1%	n/a
11/9/96	17/10/96	3%	3%	2%	1%	n/a
Premier Bond						
18/10/96	n/a	9%	7%	5%	3%	1%

Market Value Reduction:

The Company reserves the right to adjust the value of units by applying an MVR. The adjustment is not applied on death nor to 'protected withdrawals' (see below).

The adjustment is applied at the Company's discretion. In determining an MVR, the investment performance of the Life With-Profits fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return. A discretionary final bonus may also be added or adjusted at any time.

- ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by month of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.
- iii) The price of units in the Life With-Profits Fund is guaranteed never to fall.
- iv) There are no guaranteed surrender values.

v) Options

There is a facility to make regular withdrawals from the policies.

For certain regular withdrawals from the Life With-Profits Fund there is a guarantee not to apply either a surrender penalty or an MVR. This applies provided:

- The withdrawals were specified at inception and commence within 13 months of the initial investment.
- The annual amount withdrawn does not exceed 7.5% of the amount invested (10% for withdrawals commencing prior to 18 January 1993).
- Units may be switched from the Life With Profits Fund to the internal linked funds (except for the With Profits Bond).

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Reassurance from Norwich Union Life (RBS) Ltd

From 28 January 2002 the Company was the accepting reinsurer for the With Profit Bond contract written by Norwich Union Life (RBS) Ltd (referred to in the returns as the Joint Venture With Profit Bond). The treaty is on a quota share basis with 45% being reassured to the company. The contract terms are as follows.

The contract is a single premium United Kingdom reinsurance accepted whole life assurance and is classified as life assurance and general annuity business. Benefits may be linked to the Unitised With Profit Life Fund, the Unitised With Profit Income Fund or a combination of both.

(i) Deductions from identifiable current benefit

If units are held for less than 5 years, a charge is applied to the bid value of units as follows. The charge is not applied on death, nor to 'protected withdrawals' (see below). The surrender value is equal to the bid value of units, after any allowance for final bonus or market value reduction, less an early redemption charge in the case of surrenders during the first 5 years of the policy. The charge applies where the amount surrendered exceeds 10% of the initial investment and is applied to the amount withdrawn that exceeds 10% according to the following scale:

Year	Charge
1	8%
2	7%
3	5%
4	3%
5	1%

The company reserves the right to adjust the value of units by applying a market value reduction. The adjustment is not applied on death nor to 'protected withdrawals' (see below).

The adjustment is applied at the company's discretion. In determining a Market Value Reduction (MVR) the investment return of the With Profits Fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return. A discretionary final bonus may also be added or adjusted at any time.

- (ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by month of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.
- (iii) The price of units in the Unitised With Profits Life Fund is guaranteed never to fall. In the case of the Unitised With Profit Income Fund the unit price is fixed at £1 and profits are distributed by allocating additional units to the policy each month in line with the prevailing regular bonus rate.

There is a guaranteed first anniversary bonus, paid on the business day prior to the first policy anniversary. The rate of this bonus is dependent upon the amount originally invested into the bond. Prior to 1 August 2002, the bonus varies from 0% up to 3.5% for investment over £100,000. For policies written on and after 1 August 2002, the bonus varies from 0% up to 1.25% for investment over £100,000. An additional bonus of 1.5% is paid for policies written between 21 October 2002 and 19 December 2003, for all investment amounts.

A Loyalty bonus of 0.5% is payable against the number of units remaining in the bond at the close of business on the day prior to the each anniversary from the sixth anniversary onwards. The Loyalty bonus is paid by adding extra units.

- (iv) In the case of investments in the Unitised With Profit Life Fund there is a money back guarantee on the tenth anniversary of the policy. The amount guaranteed is the initial investment reduced in proportion to the number of units cancelled through withdrawals and switches. There is no money back guarantee for Unitised With Profit Income Fund.
- (v) Regular withdrawal option enables regular payments to be taken from the Bond. Regular withdrawal options are not available where there are investments in the Unitised With Profit Income Fund. For certain regular withdrawals from the Unitised With Profits Life Fund there is a guarantee not to apply either a surrender charge or a Market Value Reduction. This applies provided the withdrawal is less than 7.5% p.a. of the initial investment and this facility was set up from inception or after outset at a time when no Market Value Reduction was applying. For Unitised With Profit Income fund, no Market Value Reduction is applicable to the income payments up to the total bonus rate at that time.

Policyholders may switch funds between the Unitised With Profit Life Fund and the Unitised With Profit Income Fund

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Reassurance from Norwich Union International Limited

From 30 September 2002 the Company was the accepting reinsurer for the With Profit Bond contract written by Norwich Union International Limited, a company incorporated in the Dublin International Financial Services Centre (referred to in the returns as the Norwich Union International With-Profit Bond). The treaty is on a quota share basis with 45% being reassured to the company. The contract terms are as follows. It is a whole life assurance and is classified as overseas life assurance and general annuity business. Benefits are linked to the Unitised With Profit Pension Fund.

(i) Deductions from identifiable current benefit

If units are held for less than 5 years, a charge is applied to the bid value of units as follows. The charge is not applied on death, nor to certain regular withdrawals (see below). The surrender value is equal to the bid value of units, after any allowance for final bonus or market value reduction, less an early redemption charge in the case of surrenders during the first 5 years of the policy. The early cash-in charge is applied to the money originally invested according to the following scale:

Year	Charge
1	9.9%
2	8.0%
3	6.0%
4	4.0%
5	2.0%

The company reserves the right to adjust the value of units by applying a market value reduction. The adjustment is not applied on death nor to 'protected withdrawals' (see below). The adjustment is applied at the company's discretion. In determining a Market Value Reduction (MVR) the investment return of the With Profits Fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return. A discretionary final bonus may also be added or adjusted at any time.

- (ii) No allowance for the application of a Market Value Reduction has been included in column 12 of Form52.
- (iii) The price of units in the Unitised With Profits Pension Fund is guaranteed never to fall.
- (iv) There is a money back guarantee on the tenth anniversary of the policy. The amount guaranteed is the initial investment reduced in proportion to the number of units cancelled through withdrawals.
- (v) Regular withdrawal option enables regular payments to be taken from the Bond. For certain regular withdrawals from the Unitised With Profits Life Fund there is a guarantee not to apply either a surrender charge or a Market Value Reduction. This applies provided the withdrawal is less than 7.5% p.a. of the initial investment and this facility was set up from inception or after outset at a time when no Market Value Reduction was applying.

Group Defined Benefits

This is a pension business accumulating with profits pure endowment designed to provide benefits for groups of at least 20 employees, which can be used for contracting out of the State Earnings Related Pension Scheme. Each policy has a chosen retirement age to which employees may contribute a fixed percentage of salary, while employers contribute by the controlled funding method. On retirement cash may be taken up to the Inland Revenue limits and the balance used to purchase an annuity. Benefits are linked to the Unitised With Profit Pension Fund.

- (i) The company reserves the right to adjust the value of units by applying a market value reduction. The adjustment is not applied on death or at normal retirement age. The adjustment is applied at the Company's discretion. In determining an MVR, the investment performance of the Unitised With-Profit Pension Fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.
- (ii) No Market Value Reduction was in force during the report period.
- (iii) The price of units in the Unitised With-Profits Fund Pension Fund is guaranteed never to fall.
- (iv) There are no guaranteed surrender values.
- (v) Certain policies transferred from Conventional With Profit Group Defined Benefit contracts have retained guaranteed annuity options in respect of the members transferred. The premium rate used to purchase an annuity for these members is guaranteed.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Reassurance from CGNU Life

From 1 October 1998 the Company was the accepting reinsurer for the portion invested in the unitised with profit funds of a range of contracts written by CGNU Life Assurance Limited. The treaty is on a quota share basis (50% for business written prior to 1 January 1999, 75% for business written between 1 January 1999 and 30 September 2001, 60% for business written between 1 October 2001 and 31 December 2001 and 45% for business written since 1 January 2002). The contract terms are described in the returns for that Company. The contracts are included under Unitised With Profit and CGNU Unitised With Profits, Income Fund and CGNU Unitised With Profit – Stakeholder Pensions.

(b) Policies with benefits determined on the basis of interest accrued

All contracts under the heading were effected before the report period and are included under “Miscellaneous Assurance”.

(c) Contracts that are not sufficiently described by the entry in column 1 of Form 51 are described below.

Endowment assurances

Certain participating endowment assurances offer:

- Guaranteed surrender values on and after the 10th policy anniversary until maturity.
- An option to effect further such policies without further evidence of health subject to the terms and conditions then current on each of the first ten policy anniversaries provided that the total new premiums and sums assured under such policies do not exceed the premium and sum assured under the original policy.

Certain participating endowment assurances offer an additional non-participating sum assured payable at maturity only. These are 10 or 15-year contracts. They have been valued as participating endowment assurances for the participating sum assured together with non-participating pure endowments for the additional sum payable at maturity.

Certain endowment policies providing pensions for the self-employed contain guaranteed terms for early retirement options.

Endowment – Low cost

These are participating endowment assurance contracts under which premiums increase at 10% per annum simple for the first 10 years or 20% per annum simple for the first 5 years.

Term assurance

Some Convertible Term Assurances included under these headings contain the option to convert to whole life or endowment assurances (or in some cases to term assurances or further convertible term assurances) with limited or no evidence of health.

For certain other convertible term assurances:

- The sum assured and the premium increase by 10% per annum compound throughout the term of the policy.
- There is an additional option at the expiry of the policy to effect a further such policy without further evidence of health subject to the terms and conditions then current for an initial sum assured up to the sum assured in the final year of the policy increased by 10%.
- Alternatively, by payment of an additional premium from the outset, the maximum initial sum assured of the replacement policy is guaranteed to be not less than the original sum assured increased in line with the Retail Price Index.
- Also incorporated in this alternative for some policies is a waiver of premium benefit for a period not exceeding six months for any one occurrence of redundancy, subject to a maximum of two such occurrences during the term of the policy.
- At any time before the policy's expiry, the policyholder may decline further increases in sum assured and premium and replacement options would be correspondingly limited.

Group life

Certain contracts have premium rates applied to the individual members that are normally guaranteed for up to 3 years. Other contracts have premium rates applied to the overall sum assured which are normally guaranteed for 2 years. Also included are group life coverages associated with certain group deferred annuity contracts. These coverages have maximum premium rates guaranteed for up to 10 years.

Guaranteed Annuity Options

Guaranteed annuity options providing for payment of an annuity in lieu of a cash sum at maturity or death are contained in Endowment and Pure Endowment contracts in the Pensions Business section of Form 51.

Some policies in connection with pension schemes contain guaranteed bases for early and late retirement pensions and for joint life and survivor or reversionary pensions. In some cases a rate of interest for accumulation after normal retirement date is guaranteed.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Deferred Annuity and Group Deferred Annuity

Guaranteed cash options providing for payment of a cash sum in lieu of an annuity are contained in Deferred and Group Deferred annuity contracts in Form 51.

Individual deferred annuity contracts, other than those approved under Section 620 of the Income and Corporation Taxes Act 1988, have guaranteed surrender values.

Miscellaneous Assurances

Certain policies designed for house purchase on the endowment mortgage basis, classified in Form 51 as Endowment Assurances or Other Assurance (Special Mortgage Endowment), include a critical illness rider benefit.

- The rider provides that the policy proceeds are payable in the event of certain critical illnesses, or total and permanent disability.
- In the event of such a claim the policy terminates.

The Company accepts reinsurance under a treaty reassuring the capital guarantee liability on certain unit-linked contracts.

Guaranteed Insurability Options are included in some policies:

- Some individual term and convertible term assurances where the option allows additional cover for up to two-thirds of the initial sum assured without further evidence of health on each of the 5th, 10th and 15th policy anniversaries.
- Some single life term and convertible term assurances where, should the life assured move house during the policy term, additional cover is allowed up to the amount of any mortgage increase, subject in some cases to a maximum of £100,000 over all such increases.
- Some other individual single life policies where the option allows additional cover to be effected without further evidence of health for up to 30% of the initial sum assured on:
 - each of the 3rd, 6th, 9th, 12th and 15th policy anniversaries,
 - on the first marriage of the life assured after effecting the policy,
 - on the birth of each of the life assured's first two children after effecting the policy,
 - up to the amount of any mortgage increase, subject in some cases to a maximum of £100,000 over all such increases, should the life assured move house during the policy term.
- Some policies, designed for house purchase on the endowment mortgage basis, where the option allows a further policy to be effected without evidence of health to cover an increased mortgage up to a total (including the initial policy) of the lesser of twice the initial mortgage sum assured or £100,000. The increased mortgage must be for buying a new home or undertaking major home improvements.
- Some pension business term assurances have an option:
 - to increase sums assured without further evidence of health by up to 20% per annum compound for a period of 6 years following the original acceptance.
 - to effect additional policies, within 10 years of the commencement date, for total sums assured not exceeding the original sum assured.
- Some pension business term assurances issued to the self-employed have an option to effect an individual endowment or term assurance policy without evidence of insurability should the original policy lapse by virtue of the policyholder ceasing to be self-employed.

Conversion Options are included in some policies, giving the option to change to another type of policy at a later date at guaranteed rates of premium.

Reassurance from CGNU Life

Conventional endowments and mortgage endowment with-profit business (including any associated decreasing term assurance) ceased to be issued by the Company with effect from 30 September 1998. From 1 October 1998 until 1 October 2000, the Company was the accepting reinsurer for the equivalent contracts under a treaty with CGNU Life Assurance Limited. The treaty is on a 75% (50% for business written prior to 1 January 1999) quota share basis and the contract terms are set out in the returns for that Company.

Reassurance from Hibernian Life and Pensions Limited

From 11 June 2001, the Company is the accepting reinsurer of a cashless reinsurance financing arrangement in respect of with profits pensions business from Hibernian Life and Pensions. The initial liability is 64million Irish pounds and this will be amortised out of surplus arising in Hibernian Life and Pensions Limited over a seven year period commencing on 1 January 2004.

5 Linked contracts

(1) There are 8 categories of linked contract.

(a) Equity Builder

(b) This category of business is endowment assurance, with-profit, direct written, life assurance business, written in the United Kingdom.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

(c) Premiums are payable monthly.

(d) Maturity benefits

The greater of:

- the bid value of the units allocated (including bonus units).
- the total periodic investments paid over the term of the contract.

Death benefits

The greater of:

- the bid value of the units allocated (including bonus units) plus cash equal to the remaining periodic investments.
- the total periodic investments payable over the term of the contract.

(e) There are no guaranteed investment returns, other than the minimum death and maturity benefits above.

(f) Recovery of Costs

Management expenses are recovered out of policies as follows:

- The proportion of each premium deemed to be invested varies according to the age at entry, term and size of policy.

Sum assured	£1,000			£3,000		
	10	20	30	10	20	30
Term of policy (years)						
Age at Entry : 20	91%	89%	87%	92%	91%	90%
30	91%	88%	86%	92%	91%	89%
40	90%	86%	81%	91%	89%	84%
50	88%	81%	-	89%	83%	-
60	84%	-	-	85%	-	-

- dividend income is retained by the Company.
- a discount in respect of purchases of units is retained by the Company.

(g) Charges cannot be varied.

(h) The contract may be surrendered at any time for the bid value of the units allocated. The policy may be made paid-up.

(i) Benefits are determined by reference to the value of units in the authorised unit trust to which the policy is linked, the INVESCO UK Growth Fund.

(j) There are no other features of the contract which are material to the method and basis of valuation.

(k) The contract was not open to new business in the year to the valuation date.

(l) There were no changes in the rates of charges applied to contracts during the report period.

(a) Abbey National Plan

(b) This category of business is pure endowment, non-profit, direct written, pension business, written in the United Kingdom.

(c) Premiums are paid annually or monthly, or are single premiums.

(d) The deemed accumulated investment is payable on death, maturity, or retirement before maturity.

(e) There are no guaranteed investment returns.

(f) Recovery of Costs

Management expenses are recovered out of policies as follows:

- 90% of each single premium is deemed to be invested.
- The proportion of each regular premium deemed to be invested is as follows:

Age next birthday at entry	Percentage of premium deemed invested in years		
	1	2	Thereafter
18–55	70	70	95
60	70	72.5	95
65	70	85	95
70	70	95	95

- A recurring management charge of 0.75% per annum is made on the accumulated funds.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

- (g) Charges cannot be varied.
- (h) The deemed accumulated investment is payable on transfer into a personal pension plan.
- (i) Benefits are determined by reference to the value of assets to which the policy is linked. The policy is linked to a special account, which earns interest at a rate decided by the Abbey National from time to time.
- (j) There are no other features of the contract which are material to the method and basis of valuation.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) There were no changes in the rates of charges applied to contracts during the report period.

(a) Classic Investment Bond and Premier Bond

- (b) This category of business is whole life assurance, non-profit, direct written, life assurance business, written in the United Kingdom.
- (c) Single premiums are payable.
- (d) 101% of the bid value of units is payable on death, including any final bonus payable on the Life With Profits Fund unit holding.
- (e) The bid value of the Life Cash Fund units and Life With Profit Fund units are guaranteed never to decrease.

(f) Recovery of costs

- Management expenses are recovered out of policies as follows:
 - The proportion of premium invested varies from 95% to 101.5% (Classic) and from 98% to 102% (Premier), depending on premium size and tranche of business.
 - Initial Management Charge: 5% of the amount invested for Classic Investment Bond.
 - Recurring Management Charge: 1/12% per month of each internal linked fund's value is deducted from the funds.
 - A proportion of this charge is retained by the reinsurer.
 - No such charge is applied to the Life With-Profits Fund but, for Premier, during the first 5 years of the policy 0.08% of the units allocated are cancelled each month.
 - Deductions are applied on surrender as set out in (h) below and paragraph 4 above.
 - All investment expenses are borne directly by the internal linked funds.

- (g) The recurring management charge is not guaranteed.

(h) Surrender

The surrender value is the bid value of units allocated to the policy, including any final bonus payable on units in the Life With Profits Fund, less a deduction as follows. An MVR may also apply to units in the Life With Profits Fund.

(i) Premier Bond:

Percentage of units cancelled on surrender in years				
1	2	3	4	5
9.0 %	7.0 %	5.0 %	3.0 %	1.0 %

(ii) Classic Bond:

- For investments in internal linked funds, if surrender is within 6 months of inception of a policy issued on or after 1 January 1995 there is a deduction of 3% of the value of units.
 - For investments in the With Profits Fund, the deductions are set out in paragraph 4 above.
 - Partial surrender is permitted.
 - There is a regular withdrawal facility.
- (i) Benefits are linked to the value of one or more internal linked funds and/or to the Life With Profits Fund. The internal linked funds are contained within the Life and Annuity Fund of NU Linked Life Assurance Limited.
 - (j) There are no other features of the contracts which are material to the method and basis of valuation.
 - (k) The contracts were not open to new business in the year to the valuation date.
 - (l) There were no changes in the rates of charges applied during the report period.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

(a) Personal Pension Plan, Group Personal Pension, Free Standing AVC and Executive Pension Plan

(b) This category of business is endowment assurance, non-profit, direct written pension business, written in the United Kingdom. Lifestyler and Optimiser versions of these contracts replaced the Sterling version in February 1998.

(c) Premiums are paid annually or monthly, or are single premiums. Within certain limits the premiums may be increased or decreased. Premiums can also be increased automatically each year in line with the rise in National Average Earnings or the Retail Prices Index (both subject to a maximum of 15% per annum). They may also be increased by a fixed rate between 5% and 15% per annum. All premium increases are subject to Inland Revenue limits.

(d) Retirement Benefits

On retirement (at any age allowed by the Inland Revenue), the benefit is the bid value of the units allocated including any final bonus payable on the Pensions With Profit Fund holding.

Other than on Lifestyler contracts a loyalty bonus is also paid on retirement, other than benefits arising from Protected Rights contributions, as follows.

(i) For regular premium policies (and increments on the policies) issued on or after 9 September 1991 and before 1 January 1995 the bonus is a proportion of premiums paid, determined by the number of complete years' premiums paid:

Number of complete years	% of Premiums
10 to 14	2.5
15 to 19	5
20 to 24	10
25 to 34	20
35 or more	25

(ii) For single premium policies (and additional single premiums) issued on or after 1 November 1993 and before 1 January 1995 the bonus is a proportion of premiums paid, determined by the number of complete years for which the premiums were invested. The proportions are shown in the table above.

(iii) For regular premium policies (and increments on the policies) on or after 1 January 1995 the bonus is equal to the value of units that a specified percentage of each contribution paid during the initial period (as defined in (f) below) would have purchased. If premiums have increased or decreased the bonus benefit is calculated separately for each level of premium.

- For policies issued before 5 June 1995 that percentage is 2% for each complete year that the relevant level of premium has been paid.
- For policies issued between 5 June 1995 and 1 February 1998 that percentage is 2.5% for each complete year that the relevant level of premium has been paid.
- For Optimiser policies issued between 2 February 1998 and 30 September 1998 the percentage is 3.5% for each complete year that the relevant level of premium has been paid.

(iv) For regular premium Optimiser personal pension policies sold on a group basis on or after 1/10/98 the bonus is equal to 0.5% of the fund value for each complete year that contributions have been paid.

(v) For single premium policies (and additional single premiums) issued on or after 1 January 1995 the bonus benefit is a specified percentage of the benefits in respect of that single premium. For policies issued before 2/2/98 the percentage is 0.5% for each year that the single premium has been invested. For Optimiser policies issued between 2/2/98 and 30/9/98 the percentage is 0.75% for each year the single premium has been invested. These rates also apply to Protected Rights contributions in respect of tax year 1997/8 and later.

(vi) For single premium Optimiser personal pension policies issued on a group basis on or after 1/10/98 the bonus is 0.25% of the fund value each year after 10 years. The bonus is credited to the plan on the 11th anniversary and each subsequent plan anniversary.

(vii) An MVR may also apply to units in the Pensions With- Profits Fund on early retirement.

Death Benefits

The benefit on death is the bid value of the units allocated, including any final bonus payable on the Pensions With-Profit Fund.

A bonus benefit is also paid, based on the premiums actually paid, if a bonus benefit would have been payable on retirement.

(e) The bid value of units in the Pension Secure Growth Fund and the Pensions Unitised With Profit Fund are guaranteed never to decrease. The bid value of the Pension Safety Net Fund is guaranteed not to fall below a floor price on the condition that the provider of the financial instruments used within the fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time. Units in the Pension Assured Fund have a guaranteed price of £1 at the selected pension date or on death.

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Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

(f) Recovery of costs

A policy fee is collected by:

- Deduction from the premium before investment, for Personal Pensions and Free-Standing AVCs policies issued prior to 9 September 1991.
- Deduction from the premium before investment for single premium Executive Plans.
- Cashing units at the bid price, for Personal Pension and Free-Standing AVC policies issued on or after 9 September 1991.
- Cashing units at the bid price for regular premium Executive Plans.

The premium, net of any policy fee, is then allocated as described in the description of standard terms, below. Some variations, including level allocations throughout the policy term, have been available in some circumstances; for example where level commission is taken.

Regular premium allocation proportions : Sterling Personal Pension/Free-Standing AVC

To March 1990

For policies issued, and increases in premiums, prior to 6 March 1990 (after deducting the policy fee) the proportions allocated are as follows. The initial period for contracts payable by monthly premiums depends on the duration to retirement, and is subject to a minimum of 12 months and a maximum of 24 months.

	Percentage of premium allocated to units				
	Monthly premiums		Annual premiums		
	Less than £100	£100 or more		Less than £1000	£1000 or more
Initial Period	70	70	Year 1	70	70
Remainder of First 10 years	100*	101*	Year 2	see note	see note
Thereafter	105	105	Years 3 to 10	100	101
			Thereafter	105	105

* These percentages are increased by 1% for Sterling Personal Pension Plan contracts issued to groups of five or more employees

The percentage of annual premiums allocated in year 2 depends on the duration to retirement, and is subject to a minimum of 70% and a maximum of 100% (or 101% for premiums of £1,000 or more).

March 1990 to September 1991

For policies issued, and increases in premiums, on or after 6 March 1990 and prior to 9 September 1991 (after deducting the policy fee) the proportions allocated are:

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	Less than £100 (£1,000)	£100 (£1,000) to £499 (£4,999)	£500 (£5,000) or more
Years 1 and 2	70	70	70
Years 3 to 10	95*	100*	105
Thereafter	105	105	105

* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

September 1991 to January 1995

For policies issued, and increases in premiums, on or after 9 September 1991 and prior to 1 January 1995 the proportions allocated are as follows. For increases in premiums the allocation percentages apply to the increase in premiums, with the allocation level for previous premiums remaining unchanged.

	Percentage of premium allocated to units			
	Monthly premiums (Annual premiums)			
	Less than £50 (£500)	£50 (£500) to £99 (£999)	£100 (£1000) to £499 (£4,999)	£500 (£5,000) or more
Initial Period	see note	see note	see note	see note
Remainder of First 10 years	90*	95*	100*	100*
Thereafter	95	100	100	105

* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

Note: For contracts payable by monthly premiums the initial period depends on duration to retirement, subject to a minimum of 6 months and a maximum of 24 months, and the percentage of premiums allocated to units in the initial period is 70%. For contracts payable by annual premiums the initial period is 2 years and the percentage of premiums allocated to units in the initial period depends on duration to retirement, subject to a

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

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minimum of 70% and a maximum equal to the percentage applicable for the remainder of the first 10 years as shown above.

January 1995 to June 1995

For policies issued, and increases in premiums, on or after 1 January 1995 and prior to 5 June 1995 the proportions allocated are as follows. For increases in premiums the allocation percentages apply to the increase in premiums, with the allocation level for previous premiums remaining unchanged.

	Percentage of premium allocated to units				
	Monthly premiums (Annual premiums)				
	Less than £50 (£500)	£50 (£500) to £99 (£999)	£100 (£1000) to £199 (£1,999)	£200 (£2,000) to £499 (£4,999)	£500 (£5,000) or more
Initial Period	see note	see note	see note	see note	see note
Remainder of first 10 years	95*	98*	101*	102*	103*
Thereafter	98	103	103	105	105

* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

Note: The initial period depends on duration to retirement, subject to a minimum of 3 months and a maximum of 24 months. For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on duration to retirement, subject to a minimum of 60% and a maximum equal to the percentage applicable for the remainder of the first 10 years as shown above.

June 1995 to January 1998

For policies issued and increases in premiums on or after 5 June 1995, the proportions allocated are as follows. For increases in premiums the allocation percentages apply to the increase in premiums, with the allocation level for previous premiums remaining unchanged.

	Percentage of premium allocated to units				
	Monthly premiums (Annual premiums)				
	Less than £50 (£500)	£50 (£500) to £99 (£999)	£100 (£1000) to £199 (£1,999)	£200 (£2,000) to £399 (£3,999)	£400 (£4,000) or more
Initial Period	see note	see note	see note	see note	see note
Thereafter	97	102	103	104	104**

* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

**These allocation percentages are increased by 2% for contracts issued on or after 9 July 1997 and prior to 1 December 1997 inclusive.

Note: The initial period depends on duration to retirement and is subject to a minimum of 3 months and a maximum of 24 months. For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on duration to retirement, and is subject to a minimum of 60% and a maximum equal to the percentage applicable thereafter as shown above.

Regular premium allocation proportions : Sterling Executive Plan

To January 1995

For policies issued and increases in premiums prior to 1 January 1995, the proportions allocated are as follows. The initial period for contracts payable by monthly premiums depends on the duration to retirement, and is subject to a minimum of 12 months and a maximum of 24 months. For annual premium contracts the initial period is 2 years.

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	£100 (£1,000) to £499 (£4,999)	£500 (£5,000) to £999 (£9,999)	£1,000 (£10,000) or more
Initial period	see note	see note	see note
Remainder of first 10 years	100	100	101
Thereafter	100	105	105

Note: The percentage of premiums allocated is 70% for monthly premium contracts. For annual premium contracts the percentage depends on duration to retirement and is subject to a minimum of 70% and a maximum of 96%.

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Name of insurer **Commercial Union Life Assurance Company Limited**

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January 1995 to June 1995

For policies issued or increases in premiums on or after 1 January 1995 and prior to 5 June 1995, the proportions allocated are as follows. The initial period depends on the duration to retirement, and is subject to a minimum of 3 months and a maximum of 24 months.

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	£100 (£1,000) to £199 (£1,999)	£200 (£2,000) to £499 (£4,999)	£500 (£5,000) or more
Initial period	see note	see note	see note
Remainder of first 10 years	101	102	103
Thereafter	103	105	105

Note: For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on the duration to retirement, subject to a minimum of 60% and a maximum of the percentage applicable for the remainder of the first 10 years as shown above.

From June 1995 to January 1998

For policies issued or increases in premiums on or after 5 June 1995, the proportions allocated are as follows. The initial period depends on duration to retirement, and is subject to a minimum of 3 months and a maximum of 24 months.

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	£100 (£1,000) to £199 (£1,999)	£200 (£2,000) to £399 (£3,999)	£400 (£4,000) or more
Initial period	see note	see note	see note
Thereafter	103	104	104 *

* These allocation percentages are increased by 2% for contracts issued on or after 9 July 1997 and prior to 1 December 1997 inclusive.

Note: For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on the duration to retirement, subject to a minimum of 60% and a maximum of the percentage applicable thereafter as shown above.

Regular premium allocation proportions : Optimiser and Lifestyler Personal Pension Plan, Free-Standing AVC and Executive Pension Plan

From February 1998

For policies issued or increases in premiums on or after 2nd February 1998 the proportions of premium allocated to units are as follows:

Monthly premium (Annual premium)	Level allocation
Under £50 (£500)	90%
£50 (£500) to £100 (£1000)	93%
£100 (£1000) and over	95%

For personal pension policies sold on a group basis on or after 1/10/98, the proportion of regular premium allocated to units is 95%.

Single premium allocation proportions: Sterling Personal Pension / Free-Standing AVC

For policies issued before 2 February 1998 the proportion of each premium invested in units is as follows (after deducting the policy fee for policies issued before 9 September 1991).

- For policies issued and increases in premiums prior to 1 January 1995, the appropriate allocation percentage is reduced by 1% for each year that the number of complete years to the retirement date is less than 5.
- For policies issued and increases in premiums on or after 1 January 1995, the appropriate allocation percentage is reduced by 0.5% for each year that the number of complete years to the retirement date is less than 5.

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Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Premium	Percentage of premium allocated *	
	Sterling Personal Pension Plan	Sterling Free-Standing AVC
Less than £3,000	97	95
£3,000 to £4,999	97	97
£5,000 to £14,999	100	100
£15,000 or more	101	100

* These percentages are increased by 2% for contracts issued on or after 20 October 1997 and prior to 1 January 1998 inclusive.

For protected contributions and incentive payments from the Department of Social Security, the full amount is allocated to units except that a policy fee is deducted from the first payment received. Cashing units at their bid price pays for further monthly policy fees.

Single premium allocation proportions: Sterling Executive Plan

For policies issued before 2 February 1998 the following allocation percentages are applied to the single premium after deducting a policy fee.

- For policies issued and increases in premiums prior to 1 January 1995, the appropriate allocation percentage is reduced by 1% for each year that the number of complete years to the retirement date is less than 5.
- For policies issued and increases in premiums on or after 1 January 1995, the appropriate allocation percentage is reduced by 0.5% for each year that the number of complete years to the retirement date is less than 5.

Premium	Percentage of premium allocated *
Less than £5,000	97
£5,000 to £14,999	100
£15,000 or more	101

* These percentages are increased by 2% for contracts issued on or after 20 October 1997 and prior to 1 January 1998 inclusive

Single premium allocation proportions: Optimiser and Lifestyler Personal Pension Plan, Free-Standing AVC and Executive Pension Plan

From February 1998

For policies issued or increases in premiums on or after 2 February 1998 the proportions of premium allocated to units are as follows:

Single Premium	Premium allocation
under £5,000	96%
£5,000 to £9,999.99	98%
£10,000 to £14,999.99	99%
£15,000 and over	100%

For personal pension policies sold on a group basis on or after 1 October 1998 the proportions of premium allocated to units are as follows:

Single Premium	Premium allocation*
£2,000 to £4,999.99	98%
£5,000 to £9,999.99	100%
£10,000 to £14,999.99	101%
£15,000 and above	102%

* These percentages are increased by 1% for contracts issued between 1 October 1998 and the date of valuation. These allocations will be reduced by 0.5% for each year that the number of complete years to retirement is less than 10.

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Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Other charges

- Initial Management Charge: 5% of the amount invested.
- Recurring Management Charge: 0.85% per year of each internal linked fund's value is deducted from the funds. For group personal pension policies issued after 1 October 1998 the recurring management charge is 0.625% per year. The reinsurer retains a proportion of this charge. No such charge is applied to the Pensions With-Profits Fund.
- For Lifestyler policies issued prior to 1 October 1998 the unit holding is increased by 0.5% per year to offset some of the investment expenses, this includes units in the With Profit Fund purchased prior to 1 October 1998.
- For Optimiser group personal pension policies issued on or after 1 October 1998 an additional plan management charge of 0.375% per year applies.
- Deductions are applied on transfer, early retirement, or switches as set out in paragraph 4 above in respect of the Pensions With-Profits Fund.
- All investment expenses are borne directly by the internal linked funds.

(g) The policy fees and recurring management charges are not guaranteed. The Company has however announced that future charges (other than the additional management charge for investments in the Pension Assured Fund and the additional plan management charge), will not exceed 1% per annum from 6 April 2001.

(h) Transfer values and conversion to paid-up

- The benefit on surrender (transfer) is the bid value of the units allocated, including any final bonus payable on units in the Pension With-Profits Fund.
- An MVR may apply to units in the Pension With-Profits Fund.
- The policy may be converted to paid-up on any premium due date. It can subsequently be restarted subject to the limits, terms and conditions then current.

(i) Premiums are invested wherever the policyholder chooses. Policyholders may invest in the CU Prime Series Pension Funds. Personal Pension Policies sold on a group basis after 1 October 1998 have benefits, which may be linked to any of the CGNU Pension Funds.

(j) There are no other features of the contracts which are material to the method and basis of valuation.

(k) Personal Pension Policies sold on a group basis only were open to new business in the year to the valuation date.

(l) There were no increases in the charges applied during the report period.

(a) Personal Pension Trustee Investment Plan

(b) This category of business is group pensions, non-profit, direct written, and pension business, written in the United Kingdom.

(c) Premiums may be paid at any time.

(d) The contract is an investment plan for the Trustees of a personal pension scheme approved by the Inland Revenue in accordance with Chapter IV of Part XIV of the Income and Corporation Taxes Act 1988.

Benefits

- The bid value of units is available at any time, subject to a reduction determined by the Company in respect of units which have been allocated for less than 3 years.
- Partial encashment is permitted, subject to a minimum encashment and a minimum value remaining.

(e) The bid value of the Pension Secure Growth Fund units is guaranteed never to decrease. The bid value of the Pension Safety Net Fund is guaranteed not to fall below a floor price on the condition that the provider of the financial instruments used within the Fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the Fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time.

(f) Recovery of costs

Management expenses are recovered out of policies as follows:

- The proportion of premium invested varies between 102% and 104.5% for policies issued before 20 October 1997 and between 96% and 100% for policies issued on or after 20 October 1997 depending on the aggregate amount invested in respect of the individual member of the personal pension scheme.
 - Initial Management Charge: 5% of the amount invested.
 - Recurring Management Charge: 1% per annum of the fund value is deducted from the fund on a monthly basis. An annual reward of 0.3% of the value of the fund is paid on each policy anniversary, the effect of which is to reduce the recurring management charge to 0.7% per annum.
 - A reduction is applied to units if they are cancelled within 3 years of allocation.
- All investment expenses are borne directly by the funds.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

- (g) The charges are not guaranteed.
- (h) The surrender value is the bid value of units. The Company has the right to defer implementation for up to 1 month (6 months for direct or indirect holdings of property).
- (i) Premiums are applied to purchase units in one or more internal linked funds. The internal linked funds are contained within the Non-Participation Fund of The Northern Assurance Company Limited.
- (j) There are no other features material to the method or basis of valuation.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) There were no changes in the rates of charges applied to contracts during the report period.

(a) Sterling Group (Unitised) Plan

- (b) This category of business is group endowment assurance, non-profit, direct written, pension business, written in the United Kingdom.
- (c) Premiums are paid monthly or four-weekly, or are single premiums. Within certain limits the premiums may be increased or decreased. All premium increases are subject to Inland Revenue limits.

(d) Retirement Benefits

- On retirement (at any age allowed by the Inland Revenue), the benefit is the bid value of the units allocated including any final bonus payable on the Pensions With Profit Fund holding.
- A discontinuance charge may be applied on retirement prior to the normal retirement date.

Death Benefits

- The benefit on death is the bid value of the units allocated, including any final bonus payable on the Pensions With-Profit Fund.

- (e) The bid value of the Pension Secure Growth Fund units is guaranteed never to decrease. The bid value of the Pension Safety Net Fund is guaranteed not to fall below a floor price on the condition that the provider of the financial instruments used within the fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the Fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time.

(f) Recovery of costs

Policy charges are applied to premiums received, as follows for schemes (other than AVC-only schemes):

	Scheme	Member	
		With contribution	Without contribution
Contracted out	£42.80	£3.25	£1.40
Not contracted out	£36.95	£2.80	£1.40

For AVC-only schemes charges are applied in respect of each member. The rate of charge is £3.90 for each member where there are 5 to 29 members, and £3.00 where there are 30 or more members (reduced to £1.40 for members for whom contributions have ceased).

The following allocation percentages are applied to the regular premiums after deducting the policy charges. Where there are less than 5 years to retirement reduced allocation percentages apply.

Monthly premiums	Percentage of premium allocated to units			
	Number of complete years to retirement date			
	5 to 9	10 to 14	15 to 19	20 or more
£ 30 to £59	93	94	95	96
£ 60 to £119	96	97	98	100
£120 to £239	98	99	100	102
£240 to £479	99	100	101	103
£480 or more	100	101	102	104

For supplementary single premiums paid prior to 1 September 1992 the following allocation percentages are applied after deducting policy charges. Where there is less than 5 years to retirement the allocation is reduced by 1% for each year that the number of complete years to retirement is less than 5.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Premium	Percentage of premium allocated	
	Transfer payments	Other supplementary single premiums
£1,000 to £4,999	103	100
£5,000 to £14,999	104	101
£15,000 or more	105	102

For supplementary single premiums paid on or after 1 September 1992 the following allocation percentages are applied after deducting policy charges. Where there is less than 5 years to retirement the allocation is reduced by 1% for each year that the number of complete years to retirement is less than 5.

Premium	Percentage of premium allocated
	Transfer payments and other supplementary single premiums
£1,000 to £4,999	100
£5,000 to £14,999	101
£15,000 or more	102

For protected contributions and incentive payments from the Department of Social Security, the full amount is allocated to units after deducting the policy charges.

Other charges

- Initial Management Charge: 5% of the amount invested.
- Recurring Management Charge: 1/12% per month of each internal linked fund's value is deducted from the funds.
- The reinsurer retains a proportion of this charge.
- No such charge is applied to the Pensions With-Profits Fund.
- A discontinuance charge may be applied on surrender.
- Deductions are applied on transfer, early retirement, or switches as set out in paragraph 4 above in respect of the Pensions With-Profits Fund.
- All investment expenses are borne directly by the internal linked funds.

(g) The policy fees and recurring management charges are not guaranteed.

(h) Surrender and conversion to paid up

- The benefit on surrender (transfer) is the bid value of the units allocated, including any final bonus payable on units in the Pension With-Profits Fund.
- A discontinuance charge may be applied.
- An MVR may apply to units in the Pension With-Profits Fund.
- The policy may be converted to paid-up on any premium due date. It can subsequently be restarted subject to the limits, terms and conditions then current.

(i) Benefits are linked to the value of one or more internal linked funds and to the Pensions With- Profits Fund. The internal linked funds are contained within the Non-Participation Fund of The Northern Assurance Company Limited.

(j) There are no other features of the contract which are material to the method and basis of valuation.

(k) The contract was open to new business in the year to the valuation date.

(l) The scheme and member charges were increased in January 2003 from the following levels (other than AVC-only schemes).

	Scheme	Member	
		With Contribution	Without Contribution
Contracted out	£41.30	£3.15	£1.35
Not Contracted out	£35.65	£2.70	£1.35

For AVC-only schemes the charges were increased to £3.75 for each member where there are 5 to 29 members, and £2.90 where there are 30 or more members (reduced to £1.35 for members for whom contributions have ceased).

(a) Linked Annuities

(b) This category of business is linked annuity business, non-profit, direct written, pension business, written in the United Kingdom.

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Name of insurer **Commercial Union Life Assurance Company Limited**

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- (c) This is single premium business.
- (d) The contracts provide annuities in payment and reversionary annuities, which are linked to changes in the Retail Prices Index or in the Limited Price Index.
- (e) There are no investment return guarantees.
- (f) Costs are recovered from the valuation reserves established from the initial single premium.
- (g) There are no charges once the annuities are in force.
- (h) There are no surrender values.
- (i) The annuities vary from inception in line with the Retail Prices Index. For Limited Price Indexed annuities the increase in any calendar year is limited to a maximum rate of 5%.
- (j) There are no other features of the contract which are material to the method and basis of valuation.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) Not applicable.
- (2) Additional information is given in paragraph 4(1)(a) in respect of those categories of linked contract, which contain with-profits options.
- (3) Not applicable.
- (4) **Unit creations, cancellations, and allocations**
The company does not operate any internal linked funds. Where unit liabilities are reassured, a description of the method used for the creation and cancellation of units in internal linked funds and determining unit prices is given in the Returns for NU Linked Life Assurance Limited.
- (5) **Provision for taxation on capital gains**
Internal linked funds
The company does not operate any internal linked funds. There is therefore no provision needed for capital gains tax.
Other linked business
This is subject to the deemed disposal provisions as applied to Unit Trusts.
- (6) **Internal linked funds**
The company does not operate any internal linked funds.
Other linked business
 - The other property-linked business is linked to assets of the type referred to in paragraph 5 of IPRU(INS) Appendix 3.2.
 - A discount of 2.25% was received on purchase of units. This amount was retained by the long-term business fund.

6 Valuation principles

- (1) Following an application requesting waiver from IPRU(INS) 5.9 and 5.10, the FSA has allowed the Company to use gross premium method in its calculation of mathematical reserves for its with-profits liabilities. Based on this approval, all conventional regular premium businesses including reinsurance accepted from Norwich Union Linked Life Assurance Limited are valued on a gross premium basis with the following exceptions.

Non-linked business – Assurances

- (i) **Mortgage Protection assurances**
For direct written regular premium Mortgage Protection assurances, the reserve is taken to 4.6 times the annualised premium.
- (ii) **Group Life**
For group life contracts the reserve is taken to be 100% of the office yearly premium.
- (iii) **Miscellaneous**
For reinsurances on a risk premium basis the reserve is taken to be the office yearly premium.
For contingent assurances the reserve is taken to be the single premium paid or three times the annual premium.

For assurances against issue, the reserve is taken to be the total premiums paid.

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For policies on substandard lives, the difference between the premium payable and the normal premium has been treated as an extra premium for whole life assurances and endowment assurances issued on or after 1 January 1964 and a reserve is held equal to one year's extra premium.

The reserve in respect of extra premiums charged for occupation or residence has been taken as one year's extra premium.

The valuation of a small number of Whole Life and Endowment Assurances makes no allowance for future premiums.

Non-linked business - Annuities

(i) Annuities in payment

Annuities in payment are valued according to age next birthday at the valuation date less half of one year. The valuation factors allow for annuities, which are guaranteed for a term certain. The valuation factors for certain contracts where the annuitant was a substandard life at commencement allow accordingly for the shortened life expectancy.

(ii) Deferred annuities

The reserve is taken as the value of benefits secured by the annual or the single premiums payable prior to the policy anniversary following the valuation date. The benefit at the vesting date that is valued is the higher of the value of the annuity and the corresponding cash option, if one exists.

For certain contracts which return premiums with interest on death, mortality is ignored. Otherwise the actuarial value of any benefit payable on death during the deferred period is added to the value of the annuities.

The reserve for deferred annuities which have passed the vesting date, and for which the Company accumulates the cash option at a rate of interest different from the valuation rate, is calculated by accumulating the benefit applicable at the vesting date at that rate of interest.

An additional reserve is held in respect of premiums under "controlled funding" schemes which have not yet been applied to purchase benefits. This reserve is calculated by carrying out a notional allocation of the premiums using average ages and valuing the resulting benefits.

(iii) Accumulating with profits

- (i) Unitised With Profit business is valued initially by determining the lower of the current non-guaranteed surrender value and the bid value of units. This result is then compared with a prospective valuation and the higher result taken.

The prospective valuation accrues future regular bonuses and then discounts to the valuation date. Future regular bonuses are assumed to run down at 1.5% per annum in line with policyholders' expectations, to the guaranteed rate (or nil where there is no guaranteed rate). The initial level of regular bonus is taken to be the interim rate applying on the valuation date.

An allowance is made for future non-guaranteed surrenders at rates consistent with the Embedded Value basis. At a date (or dates in the case of regular withdrawals) where the company guarantees not to apply a Market Value Reduction on surrender, an exit rate of 50% is assumed.

Additional reserves are included where appropriate for contracts which provide a money back guarantee on a future policy anniversary.

Provision is made for future expenses on the basis of the charges made to the Company under the Management Services Agreement with Norwich Union Life Services assuming future expense inflation at 3.5% per annum.

Allowance is made for the cost of future shareholders transfers associated with the assumed pattern of future regular bonuses.

In the case of the Group Defined Benefit contract, additional reserves are held for the guaranteed annuity options associated with internal transfers from the Group Deferred Annuity contract. The reserves are determined using the basis described in 6(1)(h) below.

(iv) Internal linked assurances

For linked contracts the reserve is the sum of the unit liability and a sterling reserve. The unit liability is the value of the units allocated to contracts using the Form 55 valuation price.

- A gross premium cash flow method was applied to individual policy clusters to investigate the requirement for sterling reserves for linked contracts. A minimum sterling reserve, equal to the level of claims expenses less any surrender penalty, is held for each cluster.

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The bases used are set out in paragraphs 8(b) and 9(1) below.

The 'Miscellaneous' line of Form 52 includes a reserve in respect of potential costs arising from a review of Personal Pension Business in the context of opt-outs, non-joiners and transfers.

Other linked contracts

For Equity Builder the reserve is taken as the sum of:

- The unit liability, being the bid value of the units allocated.
- A negative adjustment to reflect the fact that the assets corresponding to the unit liabilities have been incorporated into the amount of the long-term business fund at book value, below the bid value of the units allocated.
- A reserve for mortality of 2.5% of the annual office premium.
- A reserve for investment performance guarantees, described in sub-paragraph (g) below.

For the Abbey National Plan the reserve is the investment liability which is the deemed total accumulated investment at the valuation date, together with an additional reserve for expenses (described in paragraph 9(1)).

For index linked immediate and reversionary annuities the reserve is calculated by discounting the annuities payable, allowing for interest, mortality, expenses, and growth in the Retail Prices Index.

- (a) No allowance is necessary for derivative contracts in the determination of the amount of the long-term liabilities.

(b) Reasonable expectations of policyholders

For all with-profits policies, the reasonable expectations of policyholders are taken into account.

- For traditional with profits assurance policies, a margin is held in the valuation rate of interest used.
- For linked contracts the reasonable expectations of policyholders are taken into account in establishing the sterling reserves. No allowance for increasing the rates of charge is made, even though in practice the Company may increase charges in some circumstances.

- (c) Net premium methodology has not been used.

- (d) Negative reserves arose in a small number of cases; such reserves were set to zero.

(e) Reserves for future bonus

No explicit reserve has been made for future bonus except in the case of unitised with profit contracts as described above.

(f) Capital Gains Tax

The "fund carried forward" in Form 58 allows sufficient margin within market values to allow for any prospective liability for tax on unrealised capital gains. However for index-linked business, for which the related assets are incorporated into the amount of the long term business fund at market values, reserves have been made in Form 54 for capital gains tax, where appropriate, based on the prospective liability which could arise at maturity.

Provision has been made for the prospective liability to taxation on unrealised capital gains as part of the deferred tax provision in line 21 of Form 14. This provision has been established on the basis of accounting standard FRS19.

(g) Reserves for investment performance guarantees

No reserve is necessary for the investment performance guarantees either in the internal linked Life Cash Fund, Pension Secure Growth Fund, and Pension Safety Net Fund or for the index-linked Guaranteed Investment Bond since the nature of assets held is such as to provide the investment guarantee.

For the capital guarantee liability under reinsurances of unit-linked contracts (included under Miscellaneous Assurances) an explicit reserve is held, calculated using the method recommended by the Institute and Faculty of Actuaries Maturity Guarantees Working Party. In the simulations performed, mortality and withdrawals have been ignored and allowance made for future guarantee premiums.

For the capital guarantee liability under the Equity Builder policy, an approximate method was used. This was designed to produce a reserve not less than that which would have resulted from using the method recommended by the Working Party.

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(h) Reserves for options

For those endowment assurance policies offering guaranteed surrender values on and after the 10th policy anniversary, the extra premium charged in respect of policies in force is accumulated at 2.25% per annum compound to cover the surrender and guaranteed insurability options

An additional amount was included in the With Profit Endowment and Whole Life reserves where the expected cost of non-guaranteed surrender value payments was in excess of the corresponding reserves.

For convertible term assurances the option premium is accumulated at 3.25% per annum compound for the average duration of in force policies to cover the conversion options.

For other individual assurances where guaranteed insurability options exist, the reserve taken is an appropriate accumulation of the option premium.

For those assurances where a guaranteed annuity option exists it is assumed that the option will be exercised in a proportion of the cases where the value of the annuity exceeds the cash benefit. The proportion is 90% for policies that mature during 2004, increasing by 1% p.a. to 95% for policies maturing in 2009 or later. This assumption is consistent with the Individual Guidance issued by the Financial Services Authority in respect of IPRU(INS) rules 5.6 and 5.14 on 26th September 2003. The reserve in respect of the option is the amount by which the value of the annuity on the valuation basis, plus the value of expenses associated with the payment of such annuity, exceeds the value of the cash benefits otherwise payable. For these purposes expenses are assumed to increase at the rate of 3.5% per annum. For those cases where negative reserves arise they are set to zero.

The same proportion was used in respect of deferred annuities with a guaranteed cash option.

The reserve for waiver of premium benefit is taken to be one year's option premium, where this is explicitly charged. In other cases it is taken as 3.125% of the annual office premium.

(2) When determining the amount of reserves held within Form 51 for:

- Capital Gains Tax (see sub-paragraph 6(1)(f) above)
- The nature and term of the assets (see sub-paragraphs 7(7) and 7(8) below)

Account has been taken of the fact that the fund has been brought into Form 58 at book value in accordance with IPRU (INS) rule 4.1 (6).

Any additional reserves required for the purpose of the actuary's certificate have been described in the paragraphs indicated above.

7 Valuation basis

(1) The rates of interest and tables of mortality assumed in the valuation are as shown in Forms 51 to 54 or are stated in paragraphs 8 and 9. below.

(i) Interest rates

- Where different rates of interest have been used in calculating the reserves in respect of particular benefits, this has been described in paragraph 6.
- Interest rates prefixed by an asterisk in Form 51 indicate that the rate of 4.60% has been used during the deferred period of a deferred annuity.

(ii) Mortality tables

- The mortality tables are coded as follows:

Code		Table	Rating
A	Males: Females:	AM80 Ultimate AF80 Ultimate	- -
B	Males: Females:	50% AM80 Ultimate 50% AF80 Ultimate	- -
D	Males: Females:	AM92 Ultimate AF92 Ultimate	- -
G	Males: Females:	70% IM80adj 102% IF80adj	- -
Q	Males: Females:	AM92 Ultimate AF92 Ultimate	- -

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R	Males:	TM92 Ultimate	75% for non-smokers, 150% for smokers
	Females:	TF92 Ultimate	75% for non-smokers, 180% for smokers
S	Males:	TM92 Ultimate	80% for non-smokers, 165% for smokers
	Females:	TF92 Ultimate	85% for non-smokers, 190% for smokers
U	Males:	78% PMA80adj (see 7(4))	-
	Females:	94% PFA80adj (see 7(4))	-
W	Males:	AM92 ultimate	down 5 years
	Females:	AF92 ultimate	down 5 years

C	Combined disability and mortality table used in the valuation of decreasing term contracts that offer 'critical illness' and death benefits. The table used is illustrated by the following specimen annual rates per mille:				
	Age	Male Smoker	Male Non Smoker	Female Smoker	Female Non Smoker
	20	1.2540	1.1410	1.0200	1.0200
	25	1.2220	1.0930	1.1160	1.0950
	30	1.3670	1.1280	1.6920	1.4110
	35	1.9020	1.3920	2.3870	1.6180
	40	3.6530	2.2770	3.7430	2.1270
	45	7.0630	3.8360	6.4040	3.1470
	50	12.5770	5.9820	11.0830	4.9780
	55	21.7620	9.4070	17.8700	7.9800
	60	35.1730	14.5630	25.6010	12.3410
	65	49.4420	21.0560	32.5880	17.6980
	70	68.0010	30.3700	40.1210	23.1390
	75	96.6920	50.2080	55.6930	37.4290
	80	135.5200	82.9690	76.9780	60.2290
	85	182.9180	131.8690	110.7170	99.4450

Rates are also factored by $(1 + L/100)$, where L equals 1.0 for each year of policy term to allow for guaranteed rates.

P	Combined disability and mortality table used in the valuation of level term contracts that offer 'critical illness' and death benefits. The table used is illustrated by the following specimen annual rates per mille:				
	Age	Male Smoker	Male Non Smoker	Female Smoker	Female Non Smoker
	20	1.3150	1.1940	1.0650	1.0650
	25	1.2800	1.1430	1.1670	1.1460
	30	1.4350	1.1800	1.7860	1.4810
	35	2.0100	1.4610	2.5260	1.7080
	40	3.8730	2.4090	3.9690	2.2500
	45	7.5020	4.0680	6.8000	3.3350
	50	13.3690	6.3520	11.7790	5.2830
	55	23.1430	9.9960	19.0010	8.4780
	60	37.4120	15.4820	27.2280	13.1180
	65	52.5960	22.3910	34.6620	18.8180
	70	72.3430	32.3020	42.6770	24.6070
	75	102.8720	53.4100	59.2470	39.8130
	80	144.1880	88.2700	81.8950	64.0740
	85	194.6210	140.3030	117.7960	105.8020

Rates are also factored by $(1 + L/100)$, where L equals 1.0 for each year of policy term to allow for guaranteed rates.

- Mortality codes prefixed by an asterisk indicate that mortality code W has been used during the deferred period of the deferred annuity, with the standard table used while the annuity is in payment.

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(iii) **Morbidity tables**

- Morbidity experience is assumed to be according to the IC94 table of decrement rates published by the Society of Actuaries in Ireland Working Party 1994, with deterioration at the rate of 1.5% per annum.

(2) All tables of mortality assumed in the valuation have been published.

(3) The mortality tables used are based on UK data. No specific allowance for the state of the commitment is necessary.

(4) For pensions annuity business, the annual reductions in base table mortality rates between 1996 and 2002 range from 4.1% to 0.5% for males and from 2.7% to 0.5% for females. From 2003 the improvement rates are 100% of the Medium Cohort improvement rates for males and 75% for females from CMI Working Paper 1 (December 2002), subject to a minimum of 0.5% p.a. at all ages and calendar years.

For general annuity business, the annual reductions in base table mortality rates between 1996 and 1999 range from 2.5% to 0.5%. The resulting rates are then subject to future annual reductions ranging from 4.1% to 0.5% for males and from 2.7% to 0.5% for females.

(5) Margins in the published mortality basis are sufficient to cover current estimates of the cost of future additional claims from AIDS, other than those arising out of the exercise of options, at a level corresponding to one third of the AIDS Working Party's Projection 6A with allowance for the continuance of mortality rates at peak rates.

(6) The following changes in the future value of assets were tested when determining the amount of the long-term liabilities:

Scenario 1

- equities fall in value by 18.1%
- property falls in value by 20.0%.
- fixed interest yields rise by 0.968 percentage point which is 20% of the UK 15 year gilt yield

Scenario 2

- equities fall in value by 18.1%
- property falls in value by 20.0%.
- fixed interest yields reduce by 0.968 percentage point

Scenario 1 produces the most onerous requirement.

(7) No reserve was considered necessary having regard to the high proportion of with-profit business and the margins in the published valuation basis.

(8) Under the most onerous scenario tested, the additional reserve required pursuant to rule 5.17(b) of IPRU (INS) was £102,006 (£000). This reserve allows for the release of £5,452 (£000) of the reserve from the PHI business under this scenario.

a) In determining the long term liabilities in the changed investment conditions, the following changes in assumptions were made:-

- (i) For Unitised With Profit benefits, the non guaranteed surrender values were assumed to fall in line with the reduction in the value of the hypothetical assets having regard to the ability of the Company to apply a Market Value Reduction. Future regular bonus rates were assumed to be nil.
- (ii) Allowance was made for the change in the accounting provision for Capital Gains Tax and for tax on the movement in the market value of Loan Relationship assets that would arise under the investment conditions of the resilience scenario.

b) Assets were initially hypothecated to cover the published liabilities for each category of contract. The choice of assets for this purpose took account of the nature of the liabilities and the desire to reduce the requirement. Low yielding assets such as overseas equities were therefore avoided where possible.

Allowance was made for the fall in value of assets in the changed financial conditions. For this purpose, assets were valued under Chapter 4 of IPRU (INS).

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Assets were re-hypothecated in the changed financial conditions and the liabilities were recalculated using the changed assumptions and yields closer to the maximum permitted yields in each scenario. An iterative process was used with the objective of reducing the liabilities whilst bearing in mind the suitability of the hypothecated assets.

The fall in the reduction of assets was compared with the fall in the reduction of liabilities.

c) The reduction in the aggregate amount of the liabilities was £1,517,538,000. The reduction in the aggregate value of the hypothecated assets was £1,624,996,000.

(9) Due to the small amount of liabilities denominated in currencies other than sterling (less than 1% of the total liabilities), no adjustment has been made to the valuation rates of interest.

8 Additional information

(a) The proportions of office premiums explicitly or implicitly reserved for expenses are shown in Form 51, where appropriate.

(b) Where premiums have ceased or where no future premiums are payable or where the method of valuation does not take credit for future premiums as an asset, an additional reserve has been made for future expenses by an appropriate adjustment to the total liability for the particular classes concerned.

Non-Linked Business

An explicit reserve for future expenses is held, having been estimated based on current expense levels and allowing for future expense inflation. These expenses have been discounted over the lifetime of the contracts.

The method allows for expenses where no future premiums are payable or are not taken credit for as an asset, through the use of expense factors not related to premium amounts.

(c) The following tests demonstrate the adequacy of reserves, where a prospective method has not been used:

- Term assurances (including those with conversion options) valued by multiple of premium.
The multiple of premium used is based on factors derived from the valuation of comparable term assurances using a prospective method.

- Group Life

The underlying premium rates commonly vary between 50% and 150% of the net premium necessary to cover a full year's risk, calculated according to A67/70 ultimate without allowance for interest. Scheme renewal dates are biased towards the early part of the year and, hence, the average unexpired term is less than half a year at the valuation date.

(d) Future premiums brought into account are not in accordance with rule 5.9(1) for only a very small volume of annual premium reversionary annuity business. The method used is described in paragraph 6.

Tests, which were carried out, have shown that the mathematical reserves in Form 51 are not less than those calculated in accordance with rules 5.8 to 5.17 of IPRU (INS).

9 Linked contracts - Valuation basis

(1) Internal linked business

There is no discounting of the investment liability.

- The sterling reserve is determined using a gross premium cash flow method, applied to individual policy clusters.

- Surrenders are ignored, except for whole life contracts where partial surrenders and regular withdrawals are maintained at rates which are based on experience to date. A minimum reserve is held for each cluster equal to the amount of the claims expense less any surrender value penalty.

- The following assumptions are used to determine the sterling reserve described in sub-paragraph 6(c) above. The expenses used are based on current levels of expense and are separated into renewal and claims expenses:

Contract type	Expense per cluster (£)	
Sterling Group Plan	Per member	126.25
Sterling Personal Pension Plan, Sterling Free-Standing AVC, Sterling Executive Pension Plan	Regular premium	37.14
	Single premium	37.14
Classic Investment Bond, Premier Bond	-	25.20

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- Renewal and claims expenses are assumed to escalate at 3.5% per annum.
- Units were assumed to grow at 5.5% per annum before tax and other charges.
- Recurring Management Charge - as set out in the descriptions of linked contracts in section 5.
- Interest on reserves - 3.6% per annum, after tax, for Life Assurance business and 4.5% per annum for Pensions business.
- The mortality table used is AM92 with a 90% reduction factor for Classic and Premier Bonds.
- For regular premium pension policies, the sterling reserve was calculated with and without allowance for immediate conversion to paid up status and the reserve has been taken as the higher amount.
- For Personal Pensions and Group Personal Pension contracts, no credit was taken for the initial charge applied to future premiums or for future administration charges.

Index linked annuities

The annuities are valued using a valuation rate of interest and table of mortality as shown on Form 54. The assumed rate of increase in the Retail Prices Index was 5% per annum. Expenses of £21.72 per annum per policy, inflating at 3.5% per annum, were used to establish the further expense reserve.

Other Linked Business

- Future expenses for Equity Builder and Abbey National Plan were projected from the current levels of £24.98 per policy per annum for Equity Builder and £37.95 per policy per annum for Abbey National Plan, increased at 3.5% per annum compound and discounted over the average lifetime of the contracts at 3.6% per annum and 4.5% per annum respectively.
- Dividend income is not reinvested for the benefit of Equity Builder policyholders and future dividend income has been discounted on the same basis as the corresponding expenses, assuming no growth in the sterling level of dividend income.
- The recurring management charge on the Abbey National Plan is discounted on the same basis, using the assumption that interest of 4.25% per annum will be credited to monies invested.
- For Equity Builder and Abbey National Plan the value of future charges exceeds the value of future expenses and no explicit provision for future expenses is considered necessary.

- (2) Explicit provision has been made for future expenses in the valuation of linked contracts.

10 Expenses

- (1) Additional reserves are explicitly held in respect of future expenses, and the basis includes expense inflation of 3.5% per annum (except as noted in 9(1) above).
- (2) The aggregate amount arising during 2003 from implicit and explicit reserves for expenses is approximately £41,070,000.
The main sources are:
- The explicit expense reserves held for conventional business described as 'Future Expenses' in Form 51.
 - An explicit allowance for expenses made in the gross premium valuation of conventional regular premium business
 - An explicit allowance for expenses in respect of internal linked business included in column 13 of Form 53.
 - An explicit allowance for expenses in respect of index-linked business included in column 13 of Form 54.
 - In the case of linked contracts, the allowance represents the assumed expenses during 2003.
 - In the case of term assurance contract valued on a gross premium basis, the allowance represents the assumed expenses during 2003.
 - In the case of annuities in payment, the expense allowance was re-expressed as an allowance for expenses during 2003 increasing in line with inflation over the remaining contract term.
- (3) No reserve is deemed necessary to cover the costs of transacting new business in the year following the valuation date. The expected new business strain is lower than the anticipated surplus arising from existing business for the forthcoming year on prudent assumptions.
- (4) An assessment was made of the cost of closure of the Company to new business at the end of 2003 using the following method and basis of calculation:
- (i) All sales, marketing and new business administration operations were assumed to cease immediately.
 - (ii) Allowance was made for redundancy costs.
 - (iii) An allowance was made for redundancies in departments servicing the new business areas.
 - (iv) Allowance was made for costs arising from the delay in re-letting properties occupied by the new business areas.
 - (v) Allowance was made for other costs incurred on closure to new business such as write-offs on fixed assets.
 - (vi) The aggregate costs were discounted to the valuation date.

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- (vii) Allowance was made for the proportion of closure expenses that would be borne by Norwich Union Life & Pensions Ltd., CGNU Life Assurance Company Ltd. Norwich Union Annuity Limited and Norwich Union Linked Life Assurance Ltd.

The cost of closure was covered by explicit expense reserves held as described in 10(1) to 10(3).

11 Currency matching

The table below shows the mathematical reserves (other than the reserves in respect of property linked benefits) and the assets matching them, analysed by currency.

Currency	Liabilities	
	Sterling Assets (£ 000)	Other Currencies Assets (£ 000)
Sterling	9,956,414	838
US Dollar	849,434	
Australian Dollar	74,805	
Canadian Dollar	20,568	
Danish Krone	2,290	
Euro	956,540	
Hong Kong Dollar	43,364	
Japanese Yen	7,957	
Korean Dollar	36,993	
New Zealand Dollar	24,785	
Norwegian Krone	6,740	
Malayan Ringitt	1,419	
Singapore Dollar	26,242	
Swedish Krone	28,486	
Swiss Franc	63,961	
Taiwan Dollar	45,023	
Thai Baht	867	
Total	12,145,528	838

12 Reinsurance Treaties

- (1) All reinsurance on a facultative basis is ceded to reinsurers authorised to carry on insurance business in the United Kingdom.

- (2) There are thirteen reinsurance treaties:

Treaty	Reinsurer	Connected/ Unconnected	Premiums payable	Open/ Closed
(i)	World-Wide Reassurance	Unconnected	£326,926	Open
(ii)	The Northern Assurance Company Limited	Connected	N/A	Closed
(iii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(iv)	NU Linked Life Assurance Limited	Connected	N/A	Closed
(v)	E R C Frankona Reinsurance Limited.	Unconnected	£808,687	Closed
(vi)	Swiss Reinsurance Company (UK) Limited	Unconnected	£1,886,936	Open
(vii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£104,568.	Open
(viii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£112,522	Open
(ix)	E R C Frankona Reinsurance Limited.	Unconnected	£226,573	Open
(x)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed

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(xi)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xii)	Pinnacle Insurance plc	Unconnected	£894,676	Open
(xiii)	NU Linked Life Assurance Limited	Connected	£44,735,296	Closed
(xiv)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xv)	Hannover Life Reassurance (UK) Ltd	Unconnected	£0	Closed
(xvi)	Kölnische Rückversicherungs-Gesellschaft AG	Unconnected	£0	Closed

- (a) The reinsurers for each treaty are as shown above.
- (b) All reinsurers are authorised to carry on insurance business in the United Kingdom.
- (c) Whether the Company is connected to the reinsurers is as shown above.
- (d) The cover provided under each treaty is as follows:
- i) The Company agrees to cede the excess on all risks exceeding £750,000.
 - ii) All premiums allocated to internal linked funds under Sterling Personal Pension Plan, Sterling Free-Standing AVC, Sterling Executive Pension Plan, Sterling Group (unitised) Plan, and Trustee Investment Plan are reinsured.
 - iii) The Company agrees to cede 50% of the benefits of certain immediate annuities.
 - iv) All premiums allocated to internal linked funds under Classic Investment Bond and Premier Bond are reinsured.
 - v) The Company agrees to cede 27% of the capital at risk on all endowment contracts that include a critical illness rider.
 - vi) The Company agrees to cede 63% of the capital at risk on all endowment contracts that include a critical illness rider.
 - vii) The Company agrees to cede a proportion of the Waiver of Contribution benefit under Personal Pension policies issued by the Company on or after 1st October 1995 and sold through certain Independent Financial Advisers. The proportion ceded may vary for each IFA.
 - viii) The Company agrees to cede 50% of the waiver of contribution benefit under personal pension policies issued by the Company on or after 1 October 1995 and increments to waiver of contribution benefits after 1 October 1995 under existing personal pension policies as at 1 October 1995 (but excluding benefits reassured under treaty (vii) above).
 - ix) The Company agrees to cede 80% of the waiver of contribution benefit under all mortgage endowment contracts issued after 12 September 1997.
 - x) The Company agrees to cede 100% of capital at risk of certain Group Life schemes.
 - xi) The Company agrees to cede 50% of the benefit of certain Whole Life policies
 - xii) The Company agrees to cede 50% of the benefit of certain personal loan and credit card schemes.
 - xiii) The value of units in the internal linked funds of NU Linked Life Assurance Limited in respect of personal pension contracts issued on a group basis on or after 1st October 1998, together with all death benefits and waiver of premium benefit under these contracts.
 - xiv) The Company agrees to cede up to 50% (minimum 10%) of all Immediate Care Plan policies.
 - xv) The Company agrees to cede up to 50% of all Immediate Care Plan policies.
 - xvi) The Company agrees to cede up to 50% of all Immediate Care Plan policies.
- (e) For each treaty, the premiums payable by the Company during the report period are shown above.
- (f) There are no deposit back arrangements.
- (g) There are no liabilities to refund any reinsurance commission.
- (h) Whether each treaty is open to new business is shown above.

In addition, the Company has entered into an agreement with certain other offices to pool losses in the event of a catastrophe. No premiums have been paid by the Company.

- (3) There are no financing arrangements in force.
- (4) Not applicable.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

13 (1)

- (a) Revenue accounts in the format of Form 40 are given below for the Stakeholder Fund and the With Profit Fund, which are sub funds of the Commercial Union Life Fund.

Net of reinsurance ceded		Stakeholder	With Profit	Life and Annuity
£000		As at the end of the financial year		
Earned Premiums	11	87994	704344	792338
Investment Income receivable before deduction of tax	12	5880	625370	631250
Increase (decrease) in the value of non-linked assets brought into account	13	7872	(446161)	(438289)
Increase (decrease) in the value of linked assets	14	0	2132	2132
Other income	15	0	0	0
Total income	19	101746	885685	987431
Claims incurred	21	7602	958867	966469
Expenses payable	22	1477	126097	127574
Interest payable before deduction of tax	23	0	10003	10003
Taxation	24	0	50751	50751
Other expenditure	25	0	0	0
Transfer to (from) technical account	26	0	33284	33284
Total expenditure	29	9079	1179002	1188081
Increase (decrease) in fund in financial year	39	92667	(293317)	(200650)
Fund brought forward	49	133967	12232784	12366751
Fund carried forward	59	226634	11939467	12166101

Investment income relating to linked assets is included in line 12 was £Nil for the stakeholder fund and £1322 (£000) for the With Profit fund.

- (c) A statement of liabilities in the format of Form 14, is given below for the unitised with profit Stakeholder Fund and the With Profit Fund.

Net of reinsurance ceded		Stakeholder	With Profit	Life Fund
£000		As at the end of the financial year		
Mathematical reserves after distribution of surplus	11	226634	11939467	12166101
Balance of surplus	13	0	0	0
Long term business fund carried forward	14	226634	11939467	12166101
Total other insurance and non-insurance liabilities	49	0	349303	349303
Excess of the value of net admissible assets	51	7100	1728789	1735889
Total liabilities and margins	59	233734	14017559	14251293

The increase in the value of non-linked assets during the year was £7872 (£000) for the Stakeholder Fund and £728,163 (£000) for the With Profit Fund.

- 14 (1)** The amount available for distribution amongst with-profits policyholders and shareholders is determined from time to time by the directors on the advice of the appointed actuary. Under the Articles of Association, not less than 90% of the distributed profits in the With Profit Fund and 100% of the distributed profits in the Stakeholder Fund are allocated to with-profits policyholders.

Since 1 October 2000, with-profits business has ceased to be effected by the Company, but such business has been carried out under the terms of reinsurance contracts with CGNU Life Assurance. The principles of distribution were described in the Company's With Profit Guides issued prior to 1998 and in policies and product technical guides for policies issued by the Company in recent years. The principles of distribution are not described in older policies, nor were they described in all advertisements issued by the Company.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

14 (2)

- (a) The With-Profit and Stakeholder Funds are operated and accounted for as separate sub-funds within the Life Fund of the Company. The Stakeholder Fund is maintained in respect of stakeholder pension business and the With Profit Fund is maintained in respect of all other with-profit and non-profit business written in the Life Fund.

Liabilities, income and expense are allocated between the sub-funds according to the category of contract from which they arise. Assets are not segregated but the investment income and gains and the investment expenses are apportioned between the sub-funds in proportion to the respective fund sizes taking into account the proportions of each category of investment considered appropriate for each category of business. Expenses other than investment and development expenses are determined from the defined expense charges for each category of contract under the Management Services Agreement with Norwich Union Life Services. Development expenses are apportioned on an equitable basis having regard to the nature of the development.

Under the terms of a reinsurance arrangement, all expenses incurred in connection with stakeholder pension business written prior to 1 January 2002 are borne by Norwich Union Linked Life and that company receives the benefit of all charges levied against the stakeholder unitised with-profit fund. Premiums deemed to be invested in the internal linked funds of Norwich Union Linked Life are payable to that company. For business written from 1 January 2002, expenses are borne by Norwich Union Life and Pensions and that company receives the benefit of all charges levied against the stakeholder unitised with-profit fund. Premiums deemed to be invested in the internal linked funds of Norwich Union Linked Life are payable to Norwich Union Life and Pensions.

- (b) Non profit insurance business has been written in the With Profits Fund as shown in Forms 51, 53 and 54. Profits arising from without-profit policies are included in asset shares for policies written prior to 1 October 2000. For policies written from 1 October 2000, profits arising from without-profit policies will not be included in asset shares. No non-profit business is written in the Stakeholder Fund.
- (c) Non-profit liabilities in the With Profit Fund are matched by fixed interest investments. The remaining assets of the With Profits Fund and the assets of the Stakeholder Fund are predominantly invested in equity shares, property and fixed interest investments. The Company currently intends to maintain between 55% and 65% of such assets in equity shares and property. This range may be changed in order to improve long-term performance or to make sure that the fund can meet its guarantees. The investment mix of the Stakeholder Fund may differ from that of the With Profit Fund.
- (d) The Stakeholder Fund was established with no free reserves and an account for smoothing and guarantees is being built up from the accumulation of a deduction of 0.25% p.a. from the asset shares. The level of the free reserves in the With Profit Fund is managed with the primary objective of enabling a relatively unconstrained investment policy, providing the capital backing necessary for smoothing, and to finance new business growth.
- (e) (i) An asset share methodology is used when assessing the level of discretionary benefits allocated to with-profit policyholders. Currently, for contracts other than stakeholder pensions, asset shares represent the accumulation of past premiums allowing for the actual investment performance, expenses, policyholder tax, mortality costs, surrender payments and shareholders' profits together with profits arising from without-profit policies as described in 14(2)(b) above. In the case of Unitised With Profit contracts however, profits or losses on surrender which arise after 31 December 2002 will not be allocated to asset shares. Board Resolutions have been passed to charge the tax associated with shareholders' transfers from the Life Fund to the estate of the With Profit Fund.

In the case of stakeholder pensions contracts, however, asset shares represent the accumulation of the invested premiums allowing for the actual investment performance, surrender payments and the explicit annual management charge (set at an equivalent level to the charge for unit-linked funds). An allowance of 0.25% of the value of the stakeholder with-profits fund will be deducted from asset shares and directed into a "smoothing" account each year. This account builds up over time and allows the Company to operate the crucial features of with-profits investment, i.e. smoothing out the peaks and troughs in the values of underlying assets and providing the guarantees on retirement and death. The 0.25% remains within the stakeholder fund and therefore for the sole benefit of the stakeholder with-profits investors.

For all unitised with profits contracts issued after 1 October 2001, asset shares will no longer include actual expenses and shareholder profits, but rather the explicit charges made under the contract (including an annual management charge set at an equivalent level to the charge for unit-linked funds).

Final bonus policy is framed with the objective of providing maturity payments which represent 100% of asset shares in the long term, although, in order to provide an element of stability in the returns to policyholders, smoothing is applied.

The final bonus scale derived for maturities is also applied to claims arising by death.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

- (ii) Our aim in normal circumstances is to smooth changes in actual policy payouts, limiting the change from year to year to around 10 per cent maximum. In the normal course of events, one would expect maturity payouts to lie in the range 90 to 110 per cent of asset shares. There is likely to be a lower degree of smoothing within the stakeholder pensions fund at least in the early years until the smoothing account has begun to build up, and this may lead to policy payouts from year to year changing by up to 15 per cent instead of 10 per cent in normal circumstances.

Changes in bonuses are not usually made more than once per year and changes in regular bonus can be expected to be gradual.

- (iii) Profits are allocated to policyholders in the form of bonus additions to the guaranteed benefits in two ways: regular bonuses and final bonuses.

Regular bonuses are declared and added each year. Once added they become part of the benefits payable under the terms of the contract.

Final bonus where applicable is payable until further notice on all cancellations of units in the unitised with-profits funds and on all claims arising on death, maturity or retirement under the terms of the contract, for other with-profits policies. An allowance is made for final bonus where appropriate on a claim arising on surrender of the latter policies. Final bonus is currently expressed as a percentage addition to the guaranteed benefits, including previously declared bonuses, or in the case of Sterling Group Pension contracts written by the Company, as a proportion of the total bonus or interest.

In the past, special bonuses have been declared on certain life assurance policies. These bonuses represented a consolidation of part of the final bonus otherwise payable on death and maturity claims.

Regular bonus declarations take into account the rates, which we expect to be able to maintain over the terms of both existing and new policies on the basis of current economic conditions. For this purpose, account is taken of the premium rates charged, the expected future experience, particularly with regard to future investment returns, and the financial resources of the Company. Changes in regular bonus rates are required from time to time as both recent and expected future experience change. Such changes are, however, made over a period of time in order to provide a degree of smoothing to the build up of guaranteed benefits. Final bonuses arise mainly from capital appreciation of equity shares and property and so are reviewed from time to time in the light of prevailing financial conditions.

For new business reinsurance accepted since 1 October 2001, the Company aims on average to share out between half and two thirds of the profits through guaranteed growth or regular bonus, with the balance paid as final bonus. More generally, regular bonus rates are set at a level that permits an appropriate final bonus margin to emerge.

In the case of contracts with options, the final bonus rate is determined by comparing the asset share with the value of the principal benefit under the contract. The same final bonus rate is applied whatever the option selected by the policyholder.

- (iv) Fairness of treatment between investors holding policies issued at different times is achieved by assessing maturity and surrender payments having regard to the results of asset share calculations.

Where investments are in the unitised with-profits funds, fairness of treatment on cancellation of units may occasionally require the payment of a value less than the quoted bid value of units or, where final bonus is currently applicable, a value less than the quoted bid value of units increased by the application of the current final bonus scale. This is achieved by the application of a reduction factor, known as a Market Value Reduction (MVR), to the quoted bid value of units or, in the latter case, to the quoted bid value of units plus final bonus. In deciding whether to apply an MVR, we may consider each encashment on a case by case basis.

The investment performance of the with-profits fund during the period of investment is compared with the return already credited to the policy by means of increase in unit prices and by the application of the final bonus scale. Current practice is only to consider applying an MVR when the investment performance of the with-profits fund is less than the return already credited.

For investments made within five years of cancellation, the Company intends to provide less smoothing and potentially take full account of any shortfall between the bid value of units plus final bonus and the market value of assets. For longer periods of investment we would apply a gradually increasing smoothing benefit.

In the case of policies with premiums invested in the life unitised with-profits income fund, an MVR is likely to be applied on a more frequent basis than under the unitised with-profits fund.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

For stakeholder pensions policies invested in the stakeholder with-profits fund, an MVR is also more likely to be applied on a more frequent basis than under the main unitised with-profits fund. This is because the stakeholder with-profits fund stands on its own and must be able to support itself without assistance from the Company's free reserves. In the early years of stakeholder pensions business, the smoothing account described above will take time to build up and so there will be less "free assets" available to smooth out the peaks and troughs in market values. It is therefore more likely to be necessary to apply an MVR in order to protect the interests of the remaining policyholders in the stakeholder fund.

More frequent application of MVRs or a change in the smoothing policy outlined above could be expected if we experience a prolonged period of depressed markets, a heavy incidence of withdrawals from the fund, or the occurrence of substantial business losses in the fund.

For non-guaranteed surrender values on conventional with-profit policies, our approach is to pay 90% to 100% of asset shares subject to smoothing.

- (v) Any costs associated with personal pension compensation payments, including the associated expenses and levies, and the exercise of guaranteed annuity options under traditional pensions contracts are currently charged to the free reserves.

The Company has announced its intention that payments on with profit mortgage endowment policies will, if necessary, be topped up at maturity where there is a shortfall between the claim value and the mortgage originally targeted, provided that future investment returns between 1 January 2000 and the date of maturity average no less than 6% p.a. net and that such payments can be met from future investment earnings on the free reserves within its life fund. The cost of such top up payments will be charged to the Estate. In such cases, the maturity payment may represent more than 100% of asset shares.

Final bonus policy is not subject to frequent changes but the Directors reserve the right to alter the conditions for the payment of final bonuses or to cease paying final bonuses at any time without notice.

- (f) The amount available for distribution amongst with-profits policyholders and shareholders is determined from time to time by the directors on the advice of the actuary. The proportion of profits distributed to policyholders and shareholders in the Stakeholder Fund is determined by the Articles of Association. In the case of the With Profit Fund, the general principle followed is to allocate to shareholders the maximum proportion of distributed profits permitted by the Articles of Association. This principle may however be modified in the case of unitised contracts written since 2 October 2000 where, in order to disclose the same charges for unitised with profit and unit linked investments, the charge to asset shares in respect of shareholder profits has been restricted. In such cases, in order to limit the potential cost to the Estate, the shareholder proportion may be less than 10%.

- 14 (3)** Asset shares are calculated for sample policies issued at different times in the past. Separate calculations are carried out for broad groups of policies which have different characteristics or which had significantly different past experience.

Final bonus scales are constructed, based on the sample policies, to provide policy payouts that are consistent with the aims described in 14(2) above. Revised final bonus scales are determined at the beginning of each calendar year based on financial conditions at that time and the anticipated investment performance during the year. These scales are monitored during the year and may be changed during the year in the event of significant stock-market movements.

In the case of unitised with profit contracts, MVR's are regularly reviewed during the year having regard to the performance of the with profit fund and the level of withdrawals.

- 14 (5)** With-profits policies to which the information in 14(2) and 14(3) does not apply are as follows :-

Annuities
Old Series Life assurances
London and Scottish Series
Equity Builder

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**
Financial year ended **31 December 2003**

15 Particulars of the bonuses declared as at 31 December 2003

Life Assurances

Old series

This cash bonus system series applies to policies originally effected with Commercial Union Assurance Company plc before 1 January 1940. The bonus vests immediately it is declared and may be converted to a reversionary equivalent.

For ordinary whole life and endowment assurances participating for the first time (or with all previous bonuses surrendered) cash bonuses are allotted to policies as a proportion of the ordinary whole term annual premiums due during the year. For limited premium policies, the proportion is related to the ordinary whole term annual premiums that would have been paid during the year, if the policies had been originally effected with premiums payable throughout their duration. Extra premiums for foreign residence, occupation and other special risks are excluded. Extra premiums for health, in the case of under-average lives, are included.

For policies where any regular bonus remains attached to the policy an addition in respect of each such regular bonus was made to the ordinary whole term annual premium for the purpose of calculating the new cash bonus.

At 31 December 2003, the cash bonus declared was 65% of the whole term annual premiums (calculated as above, including any increase in respect of attaching regular bonus). The cash bonus was converted to its reversionary equivalent by the A67/70 ultimate 3% table, using the fixed maturity age of 60 for endowment assurances.

Children's deferred assurances which had vested received regular bonuses at the uniform rate of 3.50% per annum on the sum assured in respect of the premiums which became due during the year 2003.

New series

This compound regular bonus system series applies to traditional with profits assurances effected with Commercial Union Life Assurance Company Limited, with Commercial Union Assurance Company plc on or after 1 January 1940, with North British and Mercantile Insurance Company Limited and with the British General Insurance Company Limited. The bonus vests immediately it is declared.

At 31 December 2003 the ordinary regular bonus rates declared were 0% per annum on the sum assured and 0.50% per annum on any previous regular bonus remaining attached to the policy, in respect of premiums which became due during the year.

London and Scottish series

This simple regular bonus system applies to policies originally effected with London and Scottish Assurance Corporation Limited. The bonus vests immediately it is declared. At 31 December 2003 regular bonus was allotted at the rate of 15% per annum on the sum assured.

Unitised With Profits series

This series applies to Classic Investment Bond, With Profit Bond, and Premier Bond. The unit bid price for the With Profits Fund included declared bonus of 3.25% per annum in 2003.

Reassurance accepted from CGNU Life

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits contracts, the unit bid price for the With Profits Fund included declared bonus of 3.25% per annum in 2003. For the Unitised With Profits Income Fund – except for Bond 2000 declared bonus was 4.00% per annum and for the Unitised With Profits Income Fund – Bond 2000 declared bonus was 3.50% per annum in 2003. Income Fund bonuses are allotted by means of a monthly allocation of bonus units.

For Endowment contracts, the regular bonus declared was 0.50% per annum on sum assured plus 1.00% on attaching bonuses.

Reassurance accepted from NUL(RBS)

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits contracts, the unit bid price in 2003 for the With Profits Fund included declared bonus of 3.25% per annum for policies with implicit charges and 4.25% for policies with explicit charges. For the Unitised With Profits Income Fund declared bonus in 2003 was 3.50% per annum. Income Fund bonuses are allotted by means of a monthly allocation of bonus units.

Reassurance accepted from Norwich Union International Limited

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits contracts, the unit bid price for the With Profits Fund included declared bonus of 5% per annum

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**
Financial year ended **31 December 2003**

Equity Builder

Bonuses were allotted in the form of bonus units, based on the units secured by the periodic investments and any previous bonus units attaching to the contracts. The bonus vests immediately it is declared.
At 31 December 2003 the bonus allotted was at the annual rate of 0.5 units for each 100 units.

Pension Assurances

Compound Regular Bonus Series

This series applies to traditional with profits pension assurances. The bonus vests immediately it is declared.
At 31 December 2003 the ordinary regular bonus rates declared were 0% per annum on the sum assured and on any previous regular bonus remaining attached to the policy, in respect of premiums which became due during the year.

Unitised With Profits series

This series applies to Sterling Personal Pension Plan, Sterling Free-Standing AVC, and Sterling Executive Pension Plan.

The unit bid price for the With Profits Fund included declared return of 4% per annum in 2003. For units allocated on or before 31 December 1992 4.00% per annum of this return was guaranteed.

Reassurance accepted from CGNU Life

This applies to the Pension contracts for which the Company is the accepting reinsurer.

For Stakeholder Fund Unitised With Profits investments, the unit bid price in 2003 included declared bonus of 3.5% per annum, while for other Unitised With Profits contracts, the declared bonus was 3.75% per annum.

Sterling Group (Unitised) Plan

The unit bid price for the With Profits Fund included declared return of 3.75% per annum in 2003.

For units allocated on or before 31 December 1992 4.00% per annum of this return was guaranteed.

Sterling Group (Deposit Administration) Plan

Bonus interest was allotted at the rate of 3.75% per annum on the amount of the accumulated cash sum (including allotted interest) at 31 December 2002 and on premiums, net of charges, paid during the year 2003.

Annuities

A simple regular bonus system is applied and vests on the following policy anniversary. At 31 December 2003 bonus was allotted at the rate of £0.50 for each £100 annuity, which had been purchased at the date of the distribution, excluding any previous bonus.

16 Interim and final bonus rates

Interim and final bonus rates on claims applying during the year to the next investigation are as follows. Final bonuses may also be allowed on surrender for certain Life Assurance policies and in the case of certain Pension Assurance policies they may be allowed on claims by transfer or retirement. The directors reserve the right to amend these rates of interim and final bonus if conditions so warrant.

Life Assurances

Old series

The proportion of the whole term annual premiums, which is allotted as an interim cash bonus, is 65%. Children's deferred assurances will receive interim bonuses at the uniform rate of 3.50% per annum on the sum assured in respect of premiums which become due during the year 2004.

A final bonus of 30.00% is payable on the sum assured plus any previous regular bonus remaining attached to the policy, plus interim bonus.

New series

The rate of interim bonus is 0.50% per annum on any previous regular bonus attaching to the policy in respect of premiums which become due during 2004. There is no interim bonus on sum assured.

For policies other than mortgage related endowments with a year of commencement between 1987 and 1995 inclusive the rates of final bonus are as follows

Year of Commencement	Final Bonus
1975 or earlier	33.00%
1976	27.00%
1977	39.00%
1978	27.00%
1979	28.00%
1980	20.00%

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

1981	13.00%
1982	9.00%
1983	5.00%
1984	2.00%
1985	1.00%
1986 and thereafter	0.00%

For mortgage related endowments which commenced to participate in profits between 1987 and 1995 inclusive, the following scale of final bonuses replaces that given above:

Year of Commencement	Final Bonus
1987	13.00%
1988	13.00%
1989	14.00%
1990	14.00%
1991 and thereafter	15.00%

This rate is reduced proportionately if the original participating term of the policy to maturity is less than 10 years.

London and Scottish series

The rate of interim bonus is 15.00% per annum on the sum assured. No final bonus is payable.

Unitised With Profits series

The rate of interim bonus is 2.50% per annum and is reflected in the unit price on a daily basis. An additional final bonus applied to the total unit value, including regular bonuses and interim bonus, is paid when the units are cashed in or on death.

Year of purchase	Final Bonus Rate
1992	9%
1993	5%
1994 to 2002	0%
2003	3%

Reassurance accepted from CGNU Life

For Unitised With-Profits contracts, the rate of interim bonus is 2.50% per annum and is reflected in the unit price on a daily basis. No final bonus is payable.

For the Unitised With Profits Income Fund – except for Bond 2000 interim bonus is 3.25% per annum and for the Unitised With Profits Income Fund – Bond 2000 interim bonus is 2.75% per annum.

For Endowment contracts, interim bonus of 0.50% on sum assured and 1.00% on attaching bonuses will be payable until further notice on claims arising on or before 31 December 2004. No final bonus is payable.

Reassurance accepted from NUL(RBS)

For the Unitised With Profit Life Fund, the interim bonus is 3.25% per annum for policies with implicit charges and 4.25% per annum for policies with explicit charges. These are reflected in the unit prices on a daily basis.

For the Unitised With Profits Income Fund interim bonus is 3.50% per annum. The final bonus in both cases is 3% per annum for units purchased in 2003 and 0%, otherwise.

Reassurance accepted from Norwich Union International Limited

For the Unitised With Profit Fund, the interim bonus is 5.00% per annum and is reflected in the unit price on a daily basis. A final bonus of 3% per annum is payable in respect of units purchased in 2003 and 0%, otherwise.

Equity Builder

The interim bonus is 1 unit for each 100 units secured by the periodic investment and any bonus units attaching to the contracts. No final bonus is payable.

Pension Assurances

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

Compound Regular Bonus series

The rate of interim bonus is 0% on sum assured and any previous regular bonus attaching to the policy.

For policies that commenced to participate in profits prior to 1991 a final bonus is payable at the following rates on the sum assured plus any regular bonus attaching to the policy. No final bonus is payable for policies commenced after 1990.

Year of commencement	Final Bonus	
	SP	RP
1974 or earlier	110%	22%
1975	265%	22%
1976	110%	22%
1977	110%	30%
1978	90%	19%
1979	80%	10%
1980	70%	10%
1981	50%	7%
1982	42%	6%
1983	28%	6%
1984	24%	4%
1985	11%	2%
1986	9%	1%
1987	7%	0%
1988	3%	0%
1989	2%	0%
1990	1%	0%
1991 and thereafter	0%	0%

Unitised With Profits series

The rate of interim bonus for 2004 is such that the overall return (guaranteed plus bonus) is 4.00% per annum, and is reflected in the unit price on a daily basis. For units allocated on or before 31 December 1992 4.00% per annum return is guaranteed.

A final bonus of 3% per annum is payable on death, retirement or transfer, in respect of units purchased in 2003 and 0%, otherwise.

Reassurance accepted from CGNU Life

For Stakeholder Fund Unitised With Profits contracts, the rate of interim bonus is 3.50% per annum and is reflected in the unit price on daily basis. For other Unitised With Profit Pension contracts the rate of interim bonus is 3.00% per annum (4.00% per annum for contracts with explicit annual management charges). No final bonus is payable. A final bonus of 3% per annum is payable on death, retirement or transfer, in respect of units purchased in 2003 and 0%, otherwise.

Sterling Group (Deposit Administration) Plan

Interim bonus interest is allotted on a daily basis at the rate of 4.00% per annum on the amount of accumulated cash sum including allotted interest at 31 December 2002 and on premiums, net of charges, paid during the year 2003.

No final bonus is payable on death, retirement or transfer.

Annuities

The rate of interim bonus applicable after the policy anniversary in 2003 is £0.50 for each £100 annuity, excluding any previous bonus. No final bonus is payable.

17 The statement summarising changes in ordinary long-term business is set out in Form 46.

18 The statement analysing new ordinary long-term business is set out in Form 47.

19 Assets

- (1) The statements of the assets covering long-term liabilities are set out in Forms 48 and 49.
- (2) The information provided under IPRU (INS) rule 9.29 is sufficiently complete.
- (3) The information provided under IPRU (INS) rule 9.29 is sufficiently complete.

Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31 December 2003**

(4) The information provided under IPRU (INS) rule 9.29 is sufficiently complete.

20 The valuation summary is set out in Forms 51 to 54 and the analyses of the investment liabilities in respect of property linked and index linked benefits are set out in Forms 55 and 56.

21 (1) Form 57 is appended.

21 (2) In accordance with Rule 5.11(7), a prudent adjustment, excluding that part of the yield estimated to represent compensation for the risk that the income from the asset might not be maintained or that capital repayments might not be received as they fall due, was made to the yield on assets other than equity shares and land.

This adjustment took account of:

- (i) The historic experience of bad debts for each of the major fixed interest asset classes
- (ii) Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available
- (iii) The reasonableness of the net of adjustment yields over the yields of risk-free investments of a similar term in the same currency, taking account of the points above
- (iv) The need to take a prudent view of the above.

The adjustment made is expressed as a deduction from the expected yield and varies by type of asset as follows:

Type of Asset	Deduction from yield
Deposits	0.10%
Approved fixed interest securities	0.00%
Other fixed interest securities	0.28%

21 (3) For equity shares, the yields on individual stocks were restricted to be not more than the yield on 15 year gilts plus 1%. For land, the rental yields were capped at the yield on 15 year gilts plus 3% to allow for the risk that the aggregate rental income might not be maintained. The same reductions in income were applied in the resilience scenarios.

22 The statement of the results of the valuation is set out in Form 58.

23 The statement of the required minimum margin for the long term business of the Company, of which this long term insurance business fund forms a part, is set out in Form 60. The form can be found in the total section, which follows the Permanent Health Fund section to this Valuation Report.

Form 61 has not been completed since the gross annual office premiums for Supplementary Accident and Sickness Insurance (of £2,777) do not exceed 1% of the gross annual office premiums in force and the entry in line 51 of Form 60 exceeds the amount that would be obtained if Form 61 were to be completed. The entry has been estimated as 18% of the gross annual office premiums in force at the valuation date.

M.N.Urmston
Appointed Actuary

IPRU (INS) Appendix 9.4

Valuation Report Prepared by the Appointed Actuary

Name of Company **Commercial Union Life Assurance Limited – Permanent Health Fund**

Financial year ended **31 December 2003**

- 1 The investigation was made at 31 December 2003.
- 2 The date to which the previous investigation related was 31 December 2002.
- 3 The valuation has been made in conformity with IPRU (INS) rule 5.6.

4 Non-Linked Contracts

- (a) There are no accumulating with-profits contracts.
- (b) There are no policies where the benefits are determined on the basis of interest accrued.
- (c) Categories of non-linked contract that are not sufficiently described by the entry in column 1 of Form 51 are described below:

Annual premium level/escalating benefits

These are individual PHI contracts. For some policies the contract terms are reviewable:

- Contracts issued after 3 August 1992 may be reviewed at any time.
- The premium rate cannot be reviewed whilst a claim is being paid.

Well-being and Future Care Plan

These are whole life long-term care contracts, which provide the cost of care services arising from disablement, up to a specified benefit amount.

- Disablement is defined by reference to the inability to perform 'Activities of Daily Living' (ADL).
 - (i) 'Severe' disability is the inability to perform three or more ADLs, or mental impairment requiring continual supervision.
 - (ii) 'Moderate' disability is the inability to perform two ADLs.
- There are two levels of cover, selected at outset:
 - (i) Premier cover provides benefits on 'severe' disability, and a reduced benefit of up to 50% of the specified benefit amount on 'moderate' disability.
 - (ii) Reserve cover provides benefits on 'severe' disability.
- Under escalating versions the benefit amount and any regular premium increase at 5% p.a. compound for Well-being and in line with the Retail Price Index (subject to a minimum of 2% p.a. and a maximum of 10% p.a.) for the Future Care Plan. The policyholder can stop the benefit insured and premium increases at any time.
- There is a waiting period of 90 days before benefits are payable.
- Regular premiums are waived while benefits are being paid.
- The contract terms are reviewable, but guaranteed as follows:
 - (i) For 5 years from inception.
 - (ii) For single premium benefits, once the insured attains age 70.
 - (iii) During claim.
- The policy may be made paid-up.

Recurrent single premium

Some of these contracts have two year premium rate guarantees, where rates are applied to the individual members' benefits.

Reinsurance from CGNU Life

From 1 January 1999 until 31 December 2000 the Company was the accepting reinsurer for critical illness contracts and the Income Replacement Plan, contracts written by CGNU Life Assurance Limited.

The critical illness contracts provide a lump sum on diagnosis of a specified critical illness, providing the policyholder subsequently survives for a minimum of 28 days. There is no benefit payable on death. Two versions are available: one provides a level sum assured throughout the term, the other provides a decreasing sum assured. Premiums are level throughout the term of the policy.

The Income Replacement Plan is a Permanent Health Insurance Policy which offers an option to increase benefits and premiums in line with the Retail Prices Index, subject to limits, and an option to provide a lump sum on diagnosis of a specified critical illness, providing the policyholder subsequently survives for a minimum of 28 days.

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Valuation Report Prepared by the Appointed Actuary**

Name of Company **Commercial Union Life Assurance Limited – Permanent Health Fund**

Financial year ended **31 December 2003**

Miscellaneous

i) Keyman

Keyman policies are Permanent Health Insurance contracts of a fixed term, usually 10 years.

- The maximum benefit payment term (1, 2, or 5 years) is selected at outset.
- An Extendibility Option is available under the 2 years benefit contract:
 - (i) The policyholder may continue the cover without further evidence of health.
 - (ii) This is achieved by effecting a further policy, expiring not later than age 65.

ii) Guaranteed Insurability Option

On Individual PHI business, other than Keyman, a guaranteed insurability option is available at outset. Under this option the policyholder may effect additional cover of up to 30% of the initial yearly benefit without further evidence of health on each of the following option dates (but not later than the 55th birthday or 5 years before the expiry date of the policy):

- The 3rd, 6th, 9th, 12th and 15th policy anniversaries.
- The date of the first marriage of the insured after effecting the policy.
- The date of the birth of each of the first two children of the insured after effecting the policy.
- The completion date if the insured moves house and effects an increased mortgage.

5. There are no linked contracts.

6 (1) Valuation Principles

A Net Premium Valuation based on the inception/annuity methodology has been used, except as noted in paragraph 6.1 (c) below. The mathematical reserve is taken as the value of future benefits less the value of net premiums on a per policy basis. In all cases the value of net premiums is not greater than the value of office premiums.

(a) No derivative contracts are held.

(b) Some individual contracts have reviewable premium rates (all Well-being contracts and approximately 30% of the total benefit insured for individual PHI contracts). Regard is given to the reasonable expectations of policyholders by limiting the extent of any increases to the valuation net premium so that they reflect heavier morbidity, where applicable, but not higher expense levels.

(c) Modifications to the net premium valuation method

Modifications to the net premium valuation method are made as appropriate and are described below. No Zillmer adjustment is made.

- **Annual premium PHI and Well-being business**

Individual Annual Premium PHI business and Keyman business written before 1/1/95 is valued using a gross premium method.

Additional reserves are held as follows:

- (i) An 'Incurred but not reported' reserve is held.
- (ii) Policies with waiver of premium are valued by treating the premium waiver as an extra benefit and a reserve is held equal to one year's premium.
- (iii) For substandard lives the difference between the premium payable and the normal premium has been treated as an extra premium, and a reserve is held equal to one year's extra premium.

- **Well-being business and Future Care Plan**

Expense reserves are held as follows:

- (i) Per policy expenses have been discounted over the lifetime of the contracts, with allowance for inflation.
- (ii) The assumed per policy expenses take into account current expense and commission levels in relation to existing contracts.
- (iii) The resulting reserve is reduced by the difference in the value of office and net premiums in Form 51.
- (iv) The resulting reserve of £130,500 has been included in the 'Value of Sums Assured Per Annum' column and the 'Amount of Mathematical Reserves' column in Form 51.

- **Group contracts by recurrent single premium**

(i) An unexpired risk reserve of one times the global amount of premium net of reinsurance is held.

- **Claims in payment**

- (i) The reserve is the discounted value of future claim payments.
- (ii) Any benefit escalation is explicitly allowed for.

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- (iii) Claim expenses are valued during claim, based on annual per claim expense amounts, with allowance for inflation.
- (iv) Additional reserves are held for disputed claims and for notified outstanding claims, which have been reported but not authorised.
- **Treaty with Swiss Reinsurance**
 - (i) All individual regular premium PHI business (including Keyman but excluding amounts already reinsured) written prior to 1 January 1996 is reassured with Swiss Reinsurance (see sub-paragraph 12 (2) (vii)).
 - (ii) The Company's liability under the treaty is to pay annual risk premiums for the business in force at the start of each year on a basis defined in the treaty.
 - (iii) The Reinsurer's liability is for the full amount of any claims commencing after 1 January 1996 and for any payments due on or after that date in respect of any existing claim under a ceded policy.
 - (iv) In addition, a payment is made to/from the Reinsurer to reflect profit share terms within the reinsurance contract.
 - (v) The Company's liability is taken to be the discounted value of claims in force plus the discounted value of future risk premiums to the reinsurer, plus an allowance for IBNR and options, less the discounted value of future office premiums. The result of this calculation is adjusted to allow for the discounted value of future expenses on a prudent basis. This calculation has been carried out on two bases: the gross basis documented in 7.(1) which represents the maximum level to which the company is protected by the treaty, and the net basis which reflects the basis used in calculating the risk premium.
 - (vi) The mathematical reserves for reinsurance ceded are taken to be the difference between the net and gross valuation results. Thus the overall valuation result reflects the operation of the Fund with the treaty in place.
- **Reinsurance from CGNU Life**
 - (i) For Critical Illness contracts the net premiums were the true net premiums subject to a maximum of 95% of the office premiums.
 - (ii) For Income Replacement Plan contracts the net premiums were obtained by limiting the true net premiums to a maximum of 92.5% of the office premiums, the modification being made to avoid taking credit for more than the premiums receivable and to provide for future expenses.
- (d) Negative reserves are set to zero on a per policy basis.
- (e) There are no participating contracts.
- (f) No prospective liability for tax on unrealised capital gains is anticipated. This is not dependent on the fact that the Fund has been brought in to Form 58 at book value.
- (g) There are no linked contracts.
- (h) The reserves for fatal accident benefits and guaranteed insurability options are taken as 1.25 times premium and are included in the overall reserve.
- (2) The extent to which account has been taken of the fact that the Fund has been brought in to Form 58 at book value in accordance with IPRU (INS) rule 4.1 (6) has been stated in sub-paragraphs 6(1)(f) above and 7(7) and 7(8) below. Any additional reserves required for the purpose of the actuary's certificate have also been described in these sub-paragraphs.

7 Valuation Basis

- (1) The rates of interest assumed in the valuation are as shown in Form 51. The tables used for mortality and morbidity are shown below:
 - **Regular premium PHI business (including Keyman)**
 - Mortality:
 - (i) Active Lives 50% of AM80 ultimate for both males and females.
 - (ii) In Claim 100% of CMIR12 claim Q (single entry table).
 - Morbidity
 - For Class I lives (loadings are applied for classes II, III and IV) claim inception rates:
 - (i) 106% CMIR (males), 159% CMIR (females) for Swiss Re Net treaty Basis
 - (ii) 120% CMIR (males), 180% CMIR (females) for Swiss Re Gross treaty Basis
 - (iii) 140% CMIR (males), 280% CMIR (females) for CU Gross Basis

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Where CMIR indicates the following:

- CMIR7 for deferred periods of 4, 13 and 26 weeks.
- CMIR12 for deferred periods of 52 and 104 weeks.

Morbidity recovery rates:

- (i) For the Swiss Re business, 70% of CMIR12 after 5 years, for both males & females, with lower rates applying at earlier durations of claim. The CU basis uses rates 110% of these rates.
- (ii) The same rates are used for both gross mathematical reserves and for valuing the reinsurance risk premiums.

- **Well-being, Future Care Plan**

Mortality, prior to claim:

100% of 2020 mortality rates from PMA80 (males) and PFA80 (females) with a deduction of 2 years to all ages.

Mortality, during claim:

95% of ELT14, with variable additions to age depending on age and the severity of disablement (severe or moderate).

Morbidity:

The tables of morbidity are described in sub-paragraph 7.(2) below.

- **Claims in Payment - Recurrent Single Premium**

The tables of mortality and morbidity are described in sub-paragraph 7.(2) below.

- **Reinsurance from CGNU Life**

Mortality

- (i) Active lives 50% of AM80/AF80 Ultimate
- (ii) Disabled lives Mortality is included within the claim termination assumptions outlined below

Morbidity

PHI claim inception rates have been based on CIDA rates, adjusted by factors dependent on age, occupation, gender, smoker status, location and duration in-force. Further margins have been taken for prudence.

PHI claim termination rates have been based on CMIR12, adjusted by factors dependent on deferred period and duration of claim, with further margins for prudence.

(2) The tables noted above, have all been published. In addition the following are used.

Well-being and Future Care Plan

The disability tables used are based on the data underlying the disability prevalence rates contained in Report 9 of the OPCS surveys of disability in Great Britain. The data was adjusted in light of the Company's underwriting policy and the definitions of the Activities of Daily Living used. The morbidity used was 115% (regular premium) and 160% (single premium) of the adjusted prevalence rates.

Reinsurance from CGNU Life

Stand-alone critical illness table used in the valuation of the critical illness contracts. The table used is illustrated by the following annual incidence rates per mille.

Age	Male Smoker	Male Non Smoker	Female Smoker	Female Non Smoker
20	0.6336	0.4080	0.6432	0.4140
25	0.8340	0.5340	0.9252	0.5892
30	1.1256	0.7200	1.4952	0.9204
35	1.6536	1.0608	2.3928	1.3896
40	2.7096	1.6476	3.7644	2.1396
45	5.2932	2.8020	5.9160	3.3300
50	9.4896	4.5936	9.1884	4.9776
55	16.5000	7.8192	14.4912	7.4676
60	27.8100	13.1232	20.4972	10.4664
65	38.7792	18.1788	25.0812	12.6948
70	59.2080	28.6572	36.8868	19.1760
75	91.1364	46.8324	54.6528	29.9700
80	135.9744	74.0088	80.5116	46.7700
85	184.5648	107.2788	114.1464	70.4844

Rates are also factored by $(1 + L/100)$, where L equals 1.5 for each year of policy term to allow for guaranteed rates.

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- (3) The amount of overseas business is less than 1% of the mathematical reserves, so it is not considered necessary to make a specific allowance for the state of the commitment for such business.
- (4) There are no annuity contracts.
- (5) There is no explicit additional adjustment to mortality or morbidity in respect of AIDS. The value of Well-being business with no AIDS exclusion clause is negligible.
- (6) The following changes in the future value of assets were tested when determining the amount of the long-term liabilities:

Scenario 1

- equities fall in value by 18.1%
- property falls in value by 20.0%.
- fixed interest yields rise by 0.968 percentage point which is 20% of the UK 15 year gilt yield

Scenario 2

- equities fall in value by 18.1%
- property falls in value by 20.0%.
- fixed interest yields reduce by 0.968 percentage point

Scenario 1 produces the most onerous requirement.

- (7) Due to the marketability of the assets held to cover the liabilities, it is considered that no additional reserve is required pursuant to rule 5.17(a), in excess of that held pursuant to rule 5.17(b).
- (8) Under the most onerous scenario tested, no additional reserve was required pursuant to rule 5.17(b) of IPRU (INS). Even under this scenario, there was a release of reserve of 5,452,000 due to the release of margins in the valuation basis. The amount released was used to reduce the resilience reserve set up for the Company as a whole.
 - (a) No assumptions were changed other than those described in the scenarios above.
 - (b) In calculating the reserve:
 - (i) Assets were initially hypothecated to cover the published liabilities for each category of contract. The choice of assets for this purpose took account of the nature of the liabilities and the desire to reduce the requirement.
 - (ii) Allowance was made for the change in value of assets in the changed financial conditions. For this purpose, assets were valued under Chapter 4 of IPRU (INS).
 - (iii) Assets were re-hypothecated in the changed financial conditions and the liabilities were recalculated using the changed assumptions and yields closer to the maximum permitted yields in each scenario.
 - (c) The decrease in the aggregate amount of the long-term liabilities is £5,020,000. The decrease in the aggregate amount of the assets allocated to match the liabilities is £5,020,000.
- (9) All the liabilities are denominated in sterling.

8 Additional Information

- (a) The proportions of the office premiums reserved for expenses are as shown in Form 51, where appropriate.
- (b) The valuation method includes explicit allowance for future expenses, as described in paragraph 6 above. The method allows for expenses where no future premiums are payable through the use of expense factors that are not related to premium amounts.
- (c) The only contracts not valued prospectively are contracts by recurrent single premiums. Tests were carried out to show that the reserve is greater than the unexpired portion of the risk premium, with due allowance for expenses.
- (d) Not applicable.

9 There are no linked contracts.

10 Expenses

- (1) Additional reserves are held explicitly in respect of future expenses, and the basis includes expense inflation of 3.5% p.a.

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- (2) The aggregate amount arising during 2003 from implicit and explicit reserves for expenses is approximately £1,307,000. The main sources are:
- (i) The margin between office premium and net premium.
 - (ii) Claims expense reserves implicitly held under the treaty with Swiss Reinsurance.
 - (iii) The explicit expense reserves described in paragraph 6 above.
- (3) No reserve is held in respect of the expenses of continuing to transact new business during the twelve months following the valuation date, having regard to the low volumes of new business expected.
- (4) No reserve is deemed necessary to provide for the costs of closure to new business, should the Fund cease to transact new business twelve months after the valuation date independently of the Commercial Union Life Fund. This is because volumes of direct written new business are low and, in the event of closure, staff activities would be redirected within Commercial Union Life Assurance Company Ltd.

The need for a reserve was also assessed in the context of the closure to new business for Commercial Union Life Assurance Company Ltd, and this investigation is described in the abstract for the Commercial Union Life Fund. No reserve is deemed necessary.

11 All mathematical reserves and assets of the Permanent Health Fund are denominated in sterling.

12 Reinsurance Treaties

- (1) All reinsurance ceded on a facultative basis is ceded to reinsurers authorised to carry on insurance business in the United Kingdom.
- (2) There are twelve reinsurance treaties.

Treaty	Reinsurer	Connected/ Unconnected	Premiums Payable	Open/ Closed
(i)	World-Wide Reassurance	Unconnected	£27,793	Closed
(ii)	Swiss Reinsurance Company (UK) Limited	Unconnected	£28,340	Closed
(iii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£1,271,644	Closed
(iv)	Swiss Reinsurance Company (UK) Limited	Unconnected	£883,010	Closed
(v)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£887,404	Closed
(vi)	Swiss Reinsurance Company (UK) Limited	Unconnected	£877,318	Closed
(vii)	Swiss Reinsurance Company (UK) Limited	Unconnected	N/A	Closed
(viii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£92,229	Closed
(ix)	Swiss Re Life & Health Limited	Unconnected	£0	Open
(x)	Munich Reinsurance Company United Kingdom Life Branch.	Unconnected	£0	Open
(xi)	ERC Frankona	Unconnected	£0	Open
(xii)	ERC Frankona	Unconnected	£414,147	Closed

- (a) The reinsurers for each treaty are as shown above.
- (b) All reinsurers are authorised to carry on insurance business in the United Kingdom.
- (c) Whether the Company is connected to the reinsurers is as shown above.
- (d) The cover provided under each treaty is as follows:
- (i) The Company can cede:
 - The excess in all risks exceeding £50,000 per annum on Keyman policies where the term of benefit payment is restricted to a maximum of two years.
 - The excess in all risks exceeding £35,000 per annum on Keyman policies where the term of benefit payment is restricted to a maximum of five years.

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- The excess in all risks exceeding £25,000 per annum on all other individual direct written contracts (excluding Well Being).
 - For group contracts by recurrent single premium, one sixth of the total benefits of the scheme on a quota share basis if the free cover limit exceeds £25,000 per annum
- ii) The Company agrees to cede the excess on all risks for benefits exceeding the retention limit as set from time to time.
 - iii) The Company agrees to cede 80% of the benefits, or the total benefit in excess of £10,000 per annum if greater, of all group recurrent single premium contracts from the first rate review on or after 1st January 1995.
 - iv) The Company agrees to cede one third of the benefits of all Well-being policies written before 20th November 1995 and one half for policies written on or after that date.
 - v) The Company agrees to cede 10% of the benefits of all Well-being policies written before 20th November 1995 and 30% for policies written on or after that date.
 - vi) The Company agrees to cede 10% of the benefits of all Well-being policies written before 20th November 1995.
 - vii) The treaty covers 100% of the morbidity risks up to a specified level, for all individual PHI business (including Keyman) in force at 31st December 1995. A profit sharing arrangement allows for 88% of total surplus, defined according to a specified valuation basis, to be due to Commercial Union and 12% due to Swiss Reinsurance.
 - viii) The Company agrees to cede 80% of the benefits of all Keyman policies written on or after 1st January 1996.
 - ix) The treaty provides cover for 40% of the Future Care Plan on original terms, up to a maximum issue limit of £16,000 pa of each original benefit insured.
 - x) The treaty provides cover for 20% of the Future Care Plan on original terms, up to a maximum issue limit of £8,000 pa of each original benefit insured.
 - xi) The treaty provides cover for 20% of the Future Care Plan on original terms, up to a maximum issue limit of £8,000 pa of each original benefit insured.
 - xii) The Company agrees to cede 30% of the benefits of all single premium Well-being policies written after 27 March 1998.
- (e) For each treaty, the premiums payable by the Company during the report period are as shown above.
- (f) There are no deposit back arrangements.
- (g) Liabilities to refund reinsurance commission are as follows:
- (i) No refunds of commission are made on lapse.
 - (ii) No refunds of commission are made on lapse.
 - (iii) No refunds of commission are made on lapse.
 - (iv) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (v) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (vi) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (vii) No refunds of commission are payable on lapse.
 - (viii) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (ix) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (x) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (xi) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
 - (xii) No refunds of commission are made on lapse.

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No provision was made for the refund of reinsurance commission in the event of lapse or surrender of the contracts.

(h) Whether each treaty is open to new business is shown above.

(3) Financing Arrangements
Five of the treaties are financing arrangements.

Treaties (iv), (v), (vi) and (xii)

- a) (These treaties are all in respect of Well-being insurances with similar terms relating to the conditions for the discharge of the Company's obligation, which is to refund commission on lapse. The approximate aggregate amount of the undischarged obligation to the reinsurers is £790,000.
- b) The undischarged obligations have not been taken into account in the valuation. Approximately 80% of the amount is matched by a corresponding obligation to the Company from intermediaries, in the event of policy lapse. In view of the mathematical reserve held for the underlying Well-being policies, for which no policy lapses are assumed, no reserve is required for the unmatched proportion of the obligation.

Treaty (vii)

- (a) The undischarged obligation to the reinsurers cannot be quantified. The treaty requires the Company to pay an annual risk premium to the reinsurer and an additional payment is made to or from the Company depending on the experience of the reinsured business during the year.
- (b) Additional payments to the reinsurer as in (a) above will only occur if there is a statutory surplus, and will form only a small proportion of such statutory surplus. There is therefore no need to take account of the obligation in the valuation.

13 There are no contracts that participate in the profits of the Permanent Health Fund.

14 Profits Distribution

- (i) There are no contracts that participate in the profits of the Permanent Health Fund.
- (ii) Distribution of profits to shareholders is determined by the Directors in accordance with the Memorandum and Articles of Association of the Company, under which the Permanent Health Fund is a separate category of business from the rest of Commercial Union Life Assurance Company Ltd and its profits belong wholly to the shareholders.

15 There are no contracts that participate in the profits of the Permanent Health Fund.

16 There are no contracts that participate in the profits of the Permanent Health Fund.

17 The statement summarising changes in ordinary long term business is set out in Form 46.

18 The statement analysing new ordinary long term business is set out in Form 47.

19 The statements of the assets covering long term liabilities are set out in Forms 48 and 49. There have been no derivative contracts held by the Fund at any time during 2003.

20 The valuation summary is set out in Form 51. Tables of morbidity and mortality have not been included but are detailed in paragraph 7 above.

21 **Matching Rectangle**

- (1) The statement of assets apportioned in respect of all long term liabilities is set out in Form 57.
- (2) The yields on assets have been adjusted as follows.
Approved securities: No adjustment is made.
Other fixed interest: 0.28% reduction in yield
- (3) No equity shares or land were held.

22 The statement of the results of the valuation is set out in Form 58.

23 The statement of the required minimum margin for the long term business of the Company, of which this long term business fund forms a part, is set out in Form 60.

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2003**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN
		R46	79678		GL	31	12			
		Life assurance and general annuity		Pensions business		Permanent health		Other business		
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	
		1	2	3	4	5	6	7	8	
In force at beginning of year	11	2147695	187280	758981	112256	164733	8962	2		
New business and increases	12	48795	74	96222	18385	11				
Net transfers and other alterations 'on'	13			20721			1130			
Total 'on' (12+13)	19	48795	74	116943	18385	11	1130			
Deaths	21	20709	478	3360	133	72	21			
Other insured events	22	102	21			193	7			
Maturities	23	24648	6241	6389	738	25				
Surrenders	24	93940	12672	6979	643	204	23			
Forfeitures	25	47872	1743	1067	106	18832	701			
Conversions to paid-up policies for reduced benefits	26		1251		10730		1			
Net transfers, expiries and other alterations 'off'	27	7095	115		9934	2473				
Total 'off' (21 to 27)	29	194366	22521	17795	22284	21799	753			
In force at end of year (11+19-29)	39	2002124	164833	858129	108357	142945	9339	2		

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2003**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	79678		GL	day	month				year
						31	12				2003
		£000	UK	LN							
		Life assurance and general annuity		Pensions business		Permanent health		Other business			
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums		
		1	2	3	4	5	6	7	8		
In force at beginning of year	11	129187	6	480213	79101						
New business and increases	12			2376	5729						
Net transfers and other alterations 'on'	13	166	1								
Total 'on' (12+13)	19	166	1	2376	5729						
Deaths	21	1881		621	46						
Other insured events	22										
Maturities	23	2597	1	3702	404						
Surrenders	24	9654		5118	1211						
Forfeitures	25			810							
Conversions to paid-up policies for reduced benefits	26				12320						
Net transfers, expiries and other alterations 'off'	27			10921	6983						
Total 'off' (21 to 27)	29	14132	1	21172	20964						
In force at end of year (11+19-29)	39	115221	6	461417	63866						

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Non-linked

Financial year ended **31st December 2003**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
			day	month	year				
	R46	79678	GL	31	12	2003	£000	OS	NL
	Life assurance and general annuity		Pensions business		Permanent health		Other business		
	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	
	1	2	3	4	5	6	7	8	
In force at beginning of year	11	10995	2120			2227	27		
New business and increases	12	1723	367			2			
Net transfers and other alterations 'on'	13						28		
Total 'on' (12+13)	19	1723	367			2	28		
Deaths	21	13				2			
Other insured events	22	2				2			
Maturities	23	46	12			2			
Surrenders	24	80	25						
Forfeitures	25	521	7			244			
Conversions to paid-up policies for reduced benefits	26		45				2		
Net transfers, expiries and other alterations 'off'	27	98	244						
Total 'off' (21 to 27)	29	760	333			250	2		
In force at end of year (11+19-29)	39	11958	2154			1979	53		

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
UK DIRECT WRITTEN INSURANCE BUSINESS						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
With Profit Bonds		203	194			
Sub total: Accumulating With-Profits Policies		203	194			
Non-Linked With-Profits Policies						
Endowment Assurance				4	23	231
Sub total: Non-Linked With-Profits Policies				4	23	231
Non-Linked Non-Profit Policies						
Term Assurance				6	1	188
Other Assurance				1		2
Annuities	389	6811	1116 pa			
Sub total: Non-Linked Non-Profit Policies	389	6811	1116 pa	7	1	190
Other Linked Contracts						
Whole Life Assurance		215	207			
Sub total: Other Linked Contracts		215	207			

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Total: Life Assurance & General Annuity Insurance Business	389	7229	401 1116 pa	11	24	421

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Pension Insurance Business						
Accumulating With-Profits Policies						
Personal Pension Plans	336	31011	31011	637	1647	30423
Sterling Group Plan (Deposit Administration)					479	3021
Sterling Group Plan (Unitised With Profits)					226	2461
Sub total: Accumulating With-Profits Policies	336	31011	31011	637	2352	35905
Non-Linked With-Profits Policies						
Group Deferred Annuity		5599	263 pa	2	3	53
Pure Endowment						
Sub total: Non-Linked With-Profits Policies		5599	263 pa	2	3	53
Non-Linked Non-Profit Policies						
Pure Endowment				1		5
Term Assurance				2	4	647
Group Life		954	220082			
Annuities	1068	24383	2503 pa			
Sub total: Non-Linked Non-Profit Policies	1068	25337	220082 2503 pa	3	4	652

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Other Linked Contracts						
Personal Pension Plans		118	118			
Pure Endowment	773	25851	25851	1603	5729	131691
Group Pure Endowment					232	5096
Sub total: Other Linked Contracts	773	25969	25969	1603	5961	136787
Total: Pension Insurance Business	2177	87916	277062 2766 pa	2245	8320	173397
Total: UK Direct Written Insurance Business	2566	95145	277463 3882 pa	2256	8344	173818

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
UK REINSURANCE ACCEPTED						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
CGNU Homemaker Plus						1
NU Bond	15930	69782	69782			
NU Flexibond						
NU Flexibond Additiona;						
NU Bond 2000	3758	21461	21461			
NU Bond Level	8987	30233	30233			
NU Bond Step Down	8732	19937	19937			
NU Homemaker Plus				125	48	
NU Flexibond (LTC)	166	2170	2170			
Joint Venture Bond	11049	127650	127650			
Sub total: Accumulating With-Profits Policies	48622	271233	271233	125	49	
Non-Linked Non-Profit Policies						
NULL Term				10		388
NULL Mortgage Protection				11		233
Sub total: Non-Linked Non-Profit Policies				21		621

Long term insurance business : Analysis of new ordinary long term businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Total: Life Assurance & General Annuity Insurance Business	48622	271233	271233	146	49	621

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Pension Insurance Business						
Accumulating With-Profits Policies						
CGNU Personal Pension Scheme	1	163	163	1120	921	
CGNU Personal Pension Scheme additional		1552	1552			
CGNU Free-Standing AVC Plan					7	
CGNU Free-Standing AVC Plan additional		3	3			
CGNU Self Invested Pension Plan						
CGNU Self Invested Pension Plan additional		15	15			
CGNU Flexible Retirement Plan		432	432			
CGNU Pension Transfer Plan		15	15			
CGNU Executive Pension Plan		137	137		116	
CGNU Group Pension Investment Bond		179	179			
CGNU Your Pension	35	46	46	308	286	
CGNU Your Pension additional		331	331			
NU Your Pension	491	1214	1214	2518	1264	
NU Your Pension additional		3606	3606			
NU Your Pension Select	16	14	14	159	43	
NU Your Pension Select additional		96	96			
NU Optimiser Personal Pension	2	48	48	5	50	
NU Optimiser Personal Pension additional		177	177			

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
NU Executive Personal Pension	62	1015	1015	1001	457	
NU Free Standing AVC Plan	19	51	51	123	10	
NU Free Standing AVC Plan additional		11	11			
NU Personal Transfer Plan	485	3227	3227			
NU Self Invested Personal Pension	1301	7137	7137			
NU Self Invested Personal Pension additional		383	383			
NU Group Pension Investment Bond	188	1560	1560			
NU Designer Personal Pension	7836	2205	2205	13919	3305	
NU Designer Personal Pension additional		1698	1698			
Stakeholder NU Your Pension	14036	30739	30739	27586	7842	
Stakeholder NU Your Pension additional		16202	16202			
NU Your Pension Select (Post 6/4/01)	3498	6327	6327	8612	2011	
NU Your Pension Select (Post 6/4/01) additional		4409	4409			
Stakeholder NU Designer Personal Pension	6756	1085	1085	5557	992	
Stakeholder NU Designer Personal Pension additional		629	629			
NU Group AVC	1619	738	738	779	337	
NU Variable Money Purchase Plan	1842	736	736	9956	2055	
Sub total: Accumulating With-Profits Policies	38187	86180	86180	71643	19696	

Long term insurance business : Analysis of new ordinary long term businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Total: Pension Insurance Business	38187	86180	86180	71643	19696	

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Permanent Health Insurance Business						
Non-Linked Non-Profit Policies						
NULL Critical Illness - Term				3		55
NULL Critical Illness - Mortgage Protection				8		119
Sub total: Non-Linked Non-Profit Policies				11		174
Total: Permanent Health Insurance Business				11		174
Total: UK Reinsurance Accepted	86809	357413	357413	71800	19745	795

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
OVERSEAS REINSURANCE ACCEPTED						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
CGNU Personal Pension Scheme		15	15		44	
CGNU Personal Pension Scheme additional		66	66			
CGNU International Investment Plan						
CGNU International Investment Plan additional		215	215			
CGNU Executive Pension Plan		28	28		28	
CGNU Self Invested Pension Plan additional		11	11			
NU Optimiser Personal Pension	116	707	707	822	319	
NU Optimiser Personal Pension additional		102	102			
NU Executive and Directors Personal Pension		92	92	358	169	
NU International Investment Plan	62	1553	1553	10	4	
NU International Investment Plan additional		234	234			
NU Self Invested Personal Pension	17	239	239			
NU Self Invested Personal Pension additional		18	18			
NU Group Investment Bond	1	58	58			
NU International Bond	694	34343	34343			
Sub total: Accumulating With-Profits Policies	890	37681	37681	1190	564	

Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47

79678

GL

31

12

2003

£000

Long term insurance business : Analysis of new ordinary long term businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Non-Linked Non-Profit Policies NULL Mortgage Protection				2		7
Sub total: Non-Linked Non-Profit Policies				2		7
Total: Life Assurance & General Annuity Insurance Business	890	37681	37681	1192	564	7

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2003	£000
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Type of insurance 1	Single premium contracts			Regular premium contracts		
	No of contracts 2	Premiums 3	Sums assured, annuities per annum or other measures of benefit 4	No of contracts 5	Annual premiums 6	Sums assured, annuities per annum or other measures of benefit 7
Permanent Health Insurance Business Non-Linked Non-Profit Policies NULL Critical Illness - Mortgage Protection				2		7
Sub total: Non-Linked Non-Profit Policies				2		7
Total: Permanent Health Insurance Business				2		7
Total: Overseas Reinsurance Accepted	890	37681	37681	1194	564	14

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	79678	GL	31	12	2003	£000	10
Type of asset			Value of admissible assets as shown on Form 13 1	Expected income from admissible assets 2	Yield % 3			
Land and buildings		11	1199561	72757	6.07			
Fixed interest securities	Approved securities	12	3553885	178453	4.73			
	Other	13	2409595	131529	5.49			
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	8704	195	2.17			
	Other	15	55795	2479	4.55			
Equity shares and holdings in collective investment schemes		16	6638130	241638	3.64			
Loans secured by mortgages		17						
All other assets	Producing income	18	255841	11023	4.31			
	Not producing income	19	212075					
Total (11 to 19)		29	14333586	638074	4.38			

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	79678	GL	31	12	2003	£000	11
			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings	11		1199561		72757		6.07	
Fixed interest securities	Approved securities	12	3459879		172942		4.73	
	Other	13	2409595		131529		5.49	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	8704		195		2.17	
	Other	15	55795		2479		4.55	
Equity shares and holdings in collective investment schemes	16		6638130		241638		3.64	
Loans secured by mortgages	17							
All other assets	Producing income	18	248206		10751		4.33	
	Not producing income	19	212061					
Total (11 to 19)	29		14231931		632291		4.38	

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	79678	GL	31	12	2003	£000	12
Type of asset			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings	11							
Fixed interest securities	Approved securities	12	94006		5511		4.60	
	Other	13						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15						
Equity shares and holdings in collective investment schemes	16							
Loans secured by mortgages	17							
All other assets	Producing income	18	7635		272		3.56	
	Not producing income	19	14					
Total (11 to 19)	29		101655		5783		4.52	

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Total long term insurance business assets**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of assets

R49	79678	GL	31	12	2003	£000	10
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Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities	63343	4.05		Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		187789	3.03	51142				
More than five years but not more than ten years	13		301353	4.82					
More than ten years but not more than fifteen years	14		540858	4.83					
More than fifteen years but not more than twenty years	15		556410	4.92					
More than twenty years but not more than twenty five years	16		826673	4.86					
More than twenty five years	17		1077444	4.78			8704	2.17	
Irredeemable	18		15	4.97					
Total (11 to 18)	19		3553885	4.73	51142	8704	2.17		
One year or less	21	Other fixed interest securities	316977	3.63		Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22		47940	7.44	10744		25033	5.47	
More than five years but not more than ten years	23		329502	5.69	33154				
More than ten years but not more than fifteen years	24		293863	5.91	29922				
More than fifteen years but not more than twenty years	25		347708	5.59	15910				
More than twenty years but not more than twenty five years	26		258300	5.90	20366				
More than twenty five years	27		464429	5.51	10786				
Irredeemable	28		350876	5.97	5777		30762	3.80	879
Total (21 to 28)	29		2409595	5.49	126659	55795	4.55	879	

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Commercial Union Life Fund**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of assets

R49	79678	GL	31	12	2003	£000	11
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Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities	55729	4.05		Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		162972	2.81	51142				
More than five years but not more than ten years	13		270145	4.83					
More than ten years but not more than fifteen years	14		529773	4.83					
More than fifteen years but not more than twenty years	15		556410	4.92					
More than twenty years but not more than twenty five years	16		822988	4.86					
More than twenty five years	17		1061847	4.78			8704	2.17	
Irredeemable	18		15	4.97					
Total (11 to 18)	19		3459879	4.73	51142	8704	2.17		
One year or less	21	Other fixed interest securities	316977	3.63		Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22		47940	7.44	10744		25033	5.47	
More than five years but not more than ten years	23		329502	5.69	33154				
More than ten years but not more than fifteen years	24		293863	5.91	29922				
More than fifteen years but not more than twenty years	25		347708	5.59	15910				
More than twenty years but not more than twenty five years	26		258300	5.90	20366				
More than twenty five years	27		464429	5.51	10786				
Irredeemable	28		350876	5.97	5777		30762	3.80	879
Total (21 to 28)	29		2409595	5.49	126659	55795	4.55	879	

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health Fund**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of assets

R49	79678	GL	31	12	2003	£000	12
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Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities	7614	4.01		Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		24817	4.50					
More than five years but not more than ten years	13		31208	4.71					
More than ten years but not more than fifteen years	14		11085	4.79					
More than fifteen years but not more than twenty years	15								
More than twenty years but not more than twenty five years	16		3685	4.73					
More than twenty five years	17		15597	4.67					
Irredeemable	18								
Total (11 to 18)	19		94006	4.60					
One year or less	21	Other fixed interest securities				Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22								
More than five years but not more than ten years	23								
More than ten years but not more than fifteen years	24								
More than fifteen years but not more than twenty years	25								
More than twenty years but not more than twenty five years	26								
More than twenty five years	27								
Irredeemable	28								
Total (21 to 28)	29								

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
DIRECT WRITTEN INSURANCE BUSINESS											
With-Profits Policies											
Whole Life	3.7	C	5999	112058	912			70055	9242	7876	62179
Endowment	3.7	C	181915	2360915	93365			1656881	795517	736953	919928
Endowment - Bonus Builder	3.7	C	19562	77270	7266			72289	13268	12095	60194
Endowment - Low Cost	3.7	C	19023	339422	15154			231795	131261	123899	107896
Other Group (Endowment)			1	9498				9498			9498
Miscellaneous Assurance			139	6808	50			31471			31471
Sub total: With-Profits Policies			226639	2905971	116747			2071989	949288	880823	1191166
Non-Profit Policies											
Whole Life	3.3	C	14564	38748	1022			26576	9481	7213	19363
Whole Life (Deposit Option)	3.3	C	919	1996				2338			2338
Endowment	3.3	C	18152	51377	186			41750	625	537	41213
Endowment - Bonus Builder	3.3	C	163	220	1			213	2	2	211
Term	3.3	P	20204	998064	3175			23794	21726	18602	5192
Convertible Term	3.3	P	13862	623365	1802			14360	9769	7843	6517
Decreasing Term	3.3	C	176998	2556004	8736			101754	79805	78031	23723
Mortgage Protection	3.3	Q	27161	558777	3264			15016			15016
Dependants Income Benefit	3.3	Q	1934	24975	157			572	620	546	26

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
Miscellaneous Assurance			1792	281577	626			3847			3847
Future claim instalments and other policy monies on deposit								812			812
Future Expenses for Assurances								6076			6076
In Payment	5.2	F	3004	3078 pa				19021			19021
In Payment Reversionary	5.2	F	34	29 pa				83			83
Group In Payment	5.2	F	2474	2237 pa				38466			38466
Group In Payment Reversionary	5.2	F	557	733 pa				3842			3842
Deferred	*4.3	*F	381	81 pa	21			1429			1429
Deferred Reversionary	*4.3	*F	592	200 pa	1			312	5	5	307
Group Deferred	*4.3	*F	2004	274 pa	443			3790			3790
Group Deferred Reversionary	*4.3	*F	53	9 pa				26			26
Further Expenses for Annuities								542			542
Miscellaneous Annuities				1682 pa				7644			7644
Adjustment for unprocessed movements								21000			21000
Sub total: Non-Profit Policies			284848	5135103 8323 pa	19434			333263	122033	112779	220484
Sub total: Direct Written Insurance Business			511487	8041074 8323 pa	136181			2405252	1071321	993602	1411650

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
REASSURANCE ACCEPTED											
With-Profits Policies											
Endowment Insurance	3.7	O	15528	128304	8274			86784	81064	78594	8190
Endowment with Critical Illness	3.7	B	9121	113999	6032			74604	74974	72790	1814
Extra Premiums								173			173
Sub total: With-Profits Policies			24649	242303	14306			161561	156038	151384	10177
Non-Profit Policies											
Term Assurance: Decreasing	3.3	O	7584	92235	152			4053	1841	1815	2238
Term Assurance: Decreasing with CI	3.3	B	9121	133592	311			10860	4025	3969	6891
Group Term Assurance: Decreasing	-	-	81457	75118				398			398
Group Term Assurance: By RSP	-	-	90823	40278				477			477
NULL Term : Level	3.3	P	91980	371369	1146			16064	11709	5927	10137
NULL Term : Level with CI	3.3	N	35755	95394	310			3436	3775	2957	479
NULL Term : Decreasing	3.3	P	23826	69476	751			7480	8804	6845	635
NULL Term : Decreasing with CI	3.3	B	69794	156737	800			8617	10028	8149	468
Sub total: Non-Profit Policies			410340	1034199	3470			51385	40182	29662	21723
Sub total: Reassurance Accepted			434989	1276502	17776			212946	196220	181046	31900

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
REASSURANCE CEDED											
With-Profits Policies											
Whole Life	3.7	C		1084	2			636	29	27	609
Sub total: With-Profits Policies				1084	2			636	29	27	609
Non-Profit Policies											
Whole Life	3.3	C		3453	237			2021	2620	1829	192
Term	3.3	P		44021	105			1423	1085	874	549
Convertible Term	3.3	P		59999	88			1610	560	527	1083
Decreasing Term	3.3	C		1373	11			49			49
Miscellaneous Assurance				1201926	2129			1110			1110
In Payment	5.2	F		422 pa				1486			1486
Deferred Reversionary	*4.3	*F		2 pa				1			1
Group Deferred	*4.3	*F		2 pa				36			36
Adjustment for unprocessed movements								1			1
Sub total: Non-Profit Policies				1310772 426 pa	2570			7737	4265	3230	4507
Sub total: Reassurance Ceded				1311856 426 pa	2572			8373	4294	3257	5116

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
Net total: Life Assurance & General Annuity Insurance Business			946476	8005720 7897 pa	151385			2609825	1263247	1171391	1438434

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R51	79678	GL	31	12	2003	£000	UK	Pens	11
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
DIRECT WRITTEN INSURANCE BUSINESS											
With-Profits Policies											
Endowment	4.3	A	1645	64041	8		64692	31	23	64669	
Pure Endowment	4.3	A	17144	571606	2676		462706	23452	19519	443187	
Term	4.3	O	520	16667	12		725	63	59	666	
Miscellaneous Assurance			7	2934	1		10395			10395	
Group Deferred	*4.0	*S	1905	14523 pa	47923		192128			192128	
Unallocated Premiums							8400			8400	
Sub total: With-Profits Policies			21221	655248 14523 pa	50620		739046	23546	19601	719445	
Non-Profit Policies											
Whole Life		A	5	51			38			38	
Endowment	4.2	A	287	3629			3208	2	1	3207	
Pure Endowment	4.2	A	5421	12597	7		14846	28	23	14823	
Term	4.2	O	6620	297616	980		10172	5312	3859	6313	
Decreasing Term	4.2	O	1979	34490	104		477			477	
Group Life			64	137873	694		625			625	
Miscellaneous Assurance			3932	233018	1243		6409	8027	3605	2804	
In Payment	5.2	S	25367	31855 pa			355456			355456	

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
In Payment Reversionary	5.2	S	2210	3340 pa				12359			12359
Group In Payment	5.2	S	25926	31245 pa				411613			411613
Group In Payment Reversionary	5.2	S	9031	12661 pa				72448			72448
Deferred	*4.3	*S	421	563 pa				9062			9062
Deferred Reversionary	*4.3	*S	110	35 pa				98			98
Group Deferred	*4.3	*S	17414	37121 pa	9029			331600			331600
Group Deferred Reversionary	*4.3	*S	12	10 pa				19			19
Deferred "Section 620"	*4.3	*S	46	21 pa				360			360
Deferred Reversionary "Section 620"	*4.3	*S	2	2 pa				6			6
Group Deferred "Section 620"	*4.3	*S	6596	5444 pa				57850			57850
Group Deferred Reversionary "Section 620"	*4.3	*S	1	1 pa				1			1
Further Expenses for Annuities								25473			25473
Adjustment for unprocessed movements								1553			1553
Miscellaneous Annuities			6655	135 pa				1557			1557
Future Expenses for Assurances								534			534
Excess Mortality								191			191
Sub total: Non-Profit Policies			112099	719274 122433 pa	12057			1315955	13369	7488	1308467

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
Sub total: Direct Written Insurance Business			133320	1374522 136956 pa	62677			2055001	36915	27089	2027912
REASSURANCE CEDED											
Non-Profit Policies											
Term	4.2	O		2018	7			61	34	33	28
Sub total: Non-Profit Policies				2018	7			61	34	33	28
Sub total: Reassurance Ceded				2018	7			61	34	33	28
Net total: Pension Insurance Business			133320	1372504 136956 pa	62670			2054940	36881	27056	2027884

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R51	79678	GL	31	12	2003	£000	UK	PHI	11
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
Non-Profit Policies											
Critical Illness	4.2			399198	956			19506	10748	10143	9363
Outstanding Claims								222			222
Sub total: Non-Profit Policies				399198	956			19728	10748	10143	9585
Sub total: Reassurance Ceded				399198	956			19728	10748	10143	9585
Net total: Permanent Health Insurance Business			119628	308510	2047			32869	25976	20103	12766

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Other Insurance Business**Category of surplus **With Profit**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
DIRECT WRITTEN INSURANCE BUSINESS											
Non-Profit Policies											
Miscellaneous Assurance			2	8				8			8
Sub total: Non-Profit Policies			2	8				8			8
Sub total: Direct Written Insurance Business			2	8				8			8
Net total: Other Insurance Business			2	8				8			8
Net total: United Kingdom Insurance Business			1199426	9686742 144853 pa	216102			4697642	1326104	1218550	3479092

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51 79678** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **OS** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
DIRECT WRITTEN INSURANCE BUSINESS											
With-Profits Policies											
Whole Life	3.7	C	11	597	5			294	79	75	219
Endowment	3.7	C	356	6620	138			5142	782	705	4437
Endowment - Low Cost	3.7	C	4	64	2			51	14	13	38
Miscellaneous Assurance			28	602	10			766			766
Group Deferred	*4.0	*F	150	1277 pa	6068			13540			13540
Sub total: With-Profits Policies			549	7883 1277 pa	6223			19793	875	793	19000
Non-Profit Policies											
Whole Life	3.3	C	40	104	1			74	10	5	69
Endowment	3.3	C	30	109				98			98
Term	3.3	P	162	9981	28			207	146	124	83
Convertible Term	3.3	P	79	4238	12			102	59	49	53
Decreasing Term	3.3	C	183	2896	15			97	49	48	49
Dependants Income Benefit	3.3	Q	11	142	2			4	5	4	
Miscellaneous Assurance			50	17774	97			191			191
In Payment	5.2	F	22	59 pa				460			460
In Payment Reversionary	5.2	F	4	34 pa				91			91

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **OS** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
Group In Payment	5.2	F	424	773 pa				9503			9503
Group In Payment Reversionary	5.2	F	123	283 pa				1223			1223
Deferred Reversionary	*4.3	*F	3					1			1
Group Deferred	*4.3	*F	97	200 pa	41	1		2045			2045
Group Deferred Reversionary	*4.3	*F						1			1
Unallocated Premium								700			700
Further Expenses for Annuities								738			738
Adjustment for unprocessed movements								918			918
Sub total: Non-Profit Policies			1228	35244 1349 pa	196	1		16453	269	230	16223
Sub total: Direct Written Insurance Business			1777	43127 2626 pa	6419	1		36246	1144	1023	35223
REASSURANCE ACCEPTED With-Profits Policies											
Endowment Insurance	3.7	O	107	1450	87			978	860	840	138
Endowment with Critical Illness	3.7	B	49	1006	54			670	675	659	11
Extra Premiums								3			3

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **OS** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
Sub total: With-Profits Policies			156	2456	141			1651	1535	1499	152
Non-Profit Policies											
Hibernian Financial Reassurance								61827			61827
Term Assurance: Decreasing	3.3	O	37	787	1			41	20	19	22
Term Assurance: Decreasing with CI	3.3	B	49	1048	3			96	40	40	56
NULL Term : Level	3.3	P	856	5014	23			264	222	151	113
NULL Term : Level with CI	3.3	N	379	1399	4			49	45	36	13
NULL Term : Decreasing	3.3	P	1288	5748	45			473	557	441	32
NULL Term : Decreasing with CI	3.3	B	1555	5275	23			255	283	241	14
Sub total: Non-Profit Policies			4164	19271	99			63005	1167	928	62077
Sub total: Reassurance Accepted			4320	21727	240			64656	2702	2427	62229
REASSURANCE CEDED											
Non-Profit Policies											
Term	3.3	P		1078	2			13	7	7	6
Miscellaneous Assurance				914	3			3			3
Sub total: Non-Profit Policies				1992	5			16	7	7	9

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2003** Units **£000** UK/OS **OS** Type of business **L&GA** Category of surplus **11**Category of surplus **With Profit**

Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
Sub total: Reassurance Ceded				1992	5			16	7	7	9
Net total: Life Assurance & General Annuity Insurance Business			6097	62862 2626 pa	6654	1		100886	3839	3443	97443

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **With Profit**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
REASSURANCE ACCEPTED											
Non-Profit Policies											
NULL Critical Illness - Term	3.3	N	379	1399	9			106	96	75	31
NULL Critical Illness - Mortgage Protection	3.3	B	1555	5275	41			453	514	423	30
NULL Critical Illness - Level on Mortgage Protection	3.3	B	1								
Sub total: Non-Profit Policies			1935	6674	50			559	610	498	61
Sub total: Reassurance Accepted			1935	6674	50			559	610	498	61
Net total: Permanent Health Insurance Business			1935	6674	50			559	610	498	61
Net total: Overseas Insurance Business			8032	69536 2626 pa	6704	1		101445	4449	3941	97504

Company registration number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of business

Category of surplus

R51	79678	GL	31	12	2003	£000	OS	PHI	11
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Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
DIRECT WRITTEN INSURANCE BUSINESS											
Non-Profit Policies											
Annual Premium Level Benefits	3.75		6104	27766 pa	725			11917	3998	3419	8498
Annual Premium Escalating Benefits	3.75		5236	31536 pa	794			13457	6137	5253	8204
Well-Being & Future Care Plan	4.0		4043	45310 pa	2940			74891	51485	35725	39166
Recurrent Single Premium - Unexpired Risk			119	48510 pa	1144			1173			1173
Claims in Payment - Annual Premium	4.0							16296			16296
Claims in Payment - Well-Being	4.0							3376			3376
Claims in Payment - Recurrent Single Premium	4.0							19661			19661
Miscellaneous			178	6625 pa	113			1049	350	115	934
Sub total: Non-Profit Policies			15680	159747 pa	5716			141820	61970	44512	97308
Sub total: Direct Written Insurance Business			15680	159747 pa	5716			141820	61970	44512	97308
REASSURANCE ACCEPTED											
Non-Profit Policies											
CGNU Income Replacement Plan	3.75		3281	5197 pa	186			2742	2141	1580	1162
CGNU Term Assurance: Critical Illness	4.2		4475	258323	1578			25294	15305	14229	11065
Extra Premiums								58			58

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
Sub total: Non-Profit Policies			7756	258323 5197 pa	1764			28094	17446	15809	12285
Sub total: Reassurance Accepted			7756	258323 5197 pa	1764			28094	17446	15809	12285
REASSURANCE CEDED											
Non-Profit Policies											
Well-being & Future Care Plan	4.0			33761 pa	2160			54832	37237	26112	28720
Recurrent Single Premium - Unexpired Risk				32563 pa	707			707			707
Claims in Payment - Well-Being	4.0							2559			2559
Claims in Payment - Recurrent Single Premium	4.0							4788			4788
Miscellaneous				5300 pa	88			198	275	92	106
Treaty with Swiss Reinsurance								2642			2642
Sub total: Non-Profit Policies				71624 pa	2955			65726	37512	26204	39522
Sub total: Reassurance Ceded				71624 pa	2955			65726	37512	26204	39522
Net total: Permanent Health Insurance Business			23436	258323 93320 pa	4525			104188	41904	34117	70071

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
Net total: United Kingdom Insurance Business			23436	258323 93320 pa	4525			104188	41904	34117	70071

Company registration number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of business

Category of surplus

R51**79678****GL****31****12****2003****£000****UK****PHI****13**

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R51	79678	GL	31	12	2003	£000	OS	PHI	13
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
DIRECT WRITTEN INSURANCE BUSINESS											
Non-Profit Policies											
Miscellaneous			44	195 pa	3			60	17	15	45
Sub total: Non-Profit Policies			44	195 pa	3			60	17	15	45
Sub total: Direct Written Insurance Business			44	195 pa	3			60	17	15	45
REASSURANCE CEDED											
Non-Profit Policies											
Miscellaneous								7			7
Sub total: Non-Profit Policies								7			7
Sub total: Reassurance Ceded								7			7
Net total: Permanent Health Insurance Business			44	195 pa	3			53	17	15	38
Net total: Overseas Insurance Business			44	195 pa	3			53	17	15	38

Long term insurance business : Valuation summary of accumulating with-profit policiesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Life Assurance & General Annuity Insurance
Business
With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Category of surplus		R52		79678		GL		31 12 2003			£000		UK		L&GA		11	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves				
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
DIRECT WRITTEN INSURANCE BUSINESS With Profit Bonds	3.7	C	784526	1307752	1307752	1307752				1224095	1224095			1224095				
Sub total: Direct Written Insurance Business			784526	1307752	1307752	1307752				1224095	1224095			1224095				
REASSURANCE ACCEPTED Income Fund	3.7	C	31912	573375	573375	573375				475964	475964			475964				
Unitised With Profit	3.7	C	386815	4531626	4531626	4531626	11320			3914635	3914635			3914635				
Joint Venture Bond Income Fund	3.7	C	4588	78514	78514	78514				69884	69884			69884				
Joint Venture Bond Unitised With Profit	3.7	C	25176	277430	277430	277430				250947	250947			250947				
Sub total: Reassurance Accepted			448491	5460945	5460945	5460945	11320			4711430	4711430			4711430				
Net total: Life Assurance & General Annuity Insurance Business			1233017	6768697	6768697	6768697	11320			5935525	5935525			5935525				

Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R52	79678	GL	31	12	2003	£000	UK	Pens	11
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 10	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
DIRECT WRITTEN INSURANCE BUSINESS														
Personal Pension Plans	4.5	C	343157	855491	855491	855491	32947			798234	798234			798234
Group Defined Benefit										157917	157917			157917
Sterling Group Plan (UWP)	4.5	C	180	47834	47834	47834	1500			48873	48873			48873
Sterling Group Plan (DA)	4.5	C	425	114294	114294	114294	3525			117264	117264			117264
Miscellaneous				4630	4630	4630	25					665		21285
Sub total: Direct Written Insurance Business			343762	1022249	1022249	1022249	37997			1122288	1122288	665		1143573
REASSURANCE ACCEPTED														
CGNU UWP - Individual Pensions	4.3	C	228705	630523	630523	630523	33483			578103	578103			578103
CGNU UWP - Group Pensions	4.3	C	76114	240016	240016	240016	2882			219755	219755			219755
Sub total: Reassurance Accepted			304819	870539	870539	870539	36365			797858	797858			797858
REASSURANCE CEDED														
WOP Reserve							643					514		514
Sub total: Reassurance Ceded							643					514		514

Long term insurance business : Valuation summary of accumulating with-profit policiesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R52	79678	GL	31	12	2003	£000	UK	Pens	11
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 10	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
Net total: Pension Insurance Business			648581	1892788	1892788	1892788	73719			1920146	1920146	151		1940917
Net total: United Kingdom Insurance Business			1881598	8661485	8661485	8661485	85039			7855671	7855671	151		7876442

Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Financial year ended **31st December 2003**Type of business **Life Assurance & General Annuity Insurance**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Category of surplus

**Business
With Profit**

R52	79678	GL	31	12	2003	£000	OS	L&GA	11
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Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
REASSURANCE ACCEPTED														
CGNU UWP - Individual	4.3	C	5874	80393	80393	80393	1604			76009	76009			76009
CGNU UWP - Group	4.3	C	1017	6387	6387	6387	614			5750	5750			5750
NU International Bond	-	C	781	39038	39038	39038				39038	39038			39038
Sub total: Reassurance Accepted			7672	125818	125818	125818	2218			120797	120797			120797
Net total: Life Assurance & General Annuity Insurance Business			7672	125818	125818	125818	2218			120797	120797			120797
Net total: Overseas Insurance Business			7672	125818	125818	125818	2218			120797	120797			120797

Long term insurance business : Valuation summary of accumulating with-profit policiesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **Stakeholder Fund**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R52	79678	GL	31	12	2003	£000	UK	Pens	12
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 10	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
REASSURANCE ACCEPTED CGNU UWP - Stakeholder Pensions	4.3	C	213896	225805	225805	225805	36871			219753	219753			219753
Sub total: Reassurance Accepted			213896	225805	225805	225805	36871			219753	219753			219753
Net total: Pension Insurance Business			213896	225805	225805	225805	36871			219753	219753			219753
Net total: United Kingdom Insurance Business			213896	225805	225805	225805	36871			219753	219753			219753

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Life Assurance & General Annuity Insurance
Business
With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R53	79678	GL	31	12	2003	£000	UK	L&GA	11
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Name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link 10	Unit liability		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death/current payable per annum 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
DIRECT WRITTEN INSURANCE BUSINESS With-Profits Policies														
Equity Builder			78	192	1262	192	6		1	1248	1248			1248
Adjustment (see note 5303)														(1015)
Sub total: With-Profits Policies			78	192	1262	192	6			1248	1248			233
Non-Profit Policies														
With Profit Bonds			115143		81883				2	81487	81487	289		81776
Guaranteed Maturity Benefit													5	5
Sub total: Non-Profit Policies			115143		81883					81487	81487	289	5	81781
Sub total: Direct Written Insurance Business			115221	192	83145	192	6			82735	82735	289	5	82014
REASSURANCE CEDED Non-Profit Policies														
With Profit Bonds					81487				2	81487	81487			81487
Sub total: Non-Profit Policies					81487					81487	81487			81487

Long term insurance business : Valuation summary of property linked contractsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Life Assurance & General Annuity Insurance**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Category of surplus

**Business
With Profit**

R53	79678	GL	31	12	2003	£000	UK	L&GA	11
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Name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link 10	Unit liability		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death/current payable per annum 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
Sub total: Reassurance Ceded					81487					81487	81487			81487
Net total: Life Assurance & General Annuity Insurance Business			115221	192	1658	192	6			1248	1248	289	5	527

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R53	79678	GL	31	12	2003	£000	UK	Pens	11
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Name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link 10	Unit liability		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death/current payable per annum 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies														
Personal Pensions Plans			457807		958311		63535		2	961012	961012	89363		1050376
Personal Pension Trustee Investment Plan			1						2	18846	18846			18846
Sterling Group Plan			106		20518		1621		2	20518	20518	7377		27895
Abbey National Building Society Plan			3300		18487	16398	330		3	18487	18487			18487
Sub total: Non-Profit Policies			461214		997316	16398	65486			1018863	1018863	96740		1115604
Sub total: Direct Written Insurance Business			461214		997316	16398	65486			1018863	1018863	96740		1115604
REASSURANCE CEDED Non-Profit Policies														
Personal Pensions Plans					961012		63535		2	961012	961012	12357		973369
Personal Pension Trustee Investment Plan									2	18846	18846			18846
Sterling Group Plan					20518		1621		2	20518	20518			20518

Long term insurance business : Valuation summary of property linked contractsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R53	79678	GL	31	12	2003	£000	UK	Pens	11
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Name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link 10	Unit liability		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death/current payable per annum 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
Sub total: Non-Profit Policies					981530		65156			1000376	1000376	12357		1012733
Sub total: Reassurance Ceded					981530		65156			1000376	1000376	12357		1012733
Net total: Pension Insurance Business			461214		15786	16398	330			18487	18487	84383		102871
Net total: United Kingdom Insurance Business			576435	192	17444	16590	336			19735	19735	84672	5	103398

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R54	79678	GL	31	12	2003	£000	UK	Pens	11
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Name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link 10	Investment liability		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death/current payable per annum 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies														
Immediate Annuity	5.2	S	214	66 pa				RPI	517	517				517
Reversionary Annuity	5.2	*	95	29 pa				RPI	125	125				125
Future Expenses								RPI				43		43
Sub total: Non-Profit Policies			309	95 pa					642	642		43		685
Sub total: Direct Written Insurance Business			309	95 pa					642	642		43		685
Net total: Pension Insurance Business			309	95 pa					642	642		43		685
Net total: United Kingdom Insurance Business			309	95 pa					642	642		43		685

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

Name of insurer **Commercial Union Life Assurance Company Limited**

(Sheet 1)

Global business

United Kingdom business

Financial year ended **31st December 2003**

Category of surplus **With Profit**

Internal linked fund

		Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH	
		R55	79678	GL	31	12	2003	£000	UK	11	ILH
					day	month	year				
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)		
							Gross	Reinsurance ceded			
1	2	3	4	5	6	7	8	9	10		
Wholly Reinsured	Wholly Reinsured						1081863	1081863			
Sub total: Wholly Reinsured							1081863	1081863			
Total: With Profit							1081863	1081863			

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

(Sheet 2)

Global business

United Kingdom business

Financial year ended **31st December 2003**Category of surplus **With Profit**

Directly held assets

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)
							Gross	Reinsurance ceded	
							8	9	
1	2	3	4	5	6	7	8	9	10
Abbey National Deposit	Abbey National Plan	1.000000	18487051	18487		18487	18487		
Invesco UK Growth Fund	Equity Builder	0.742600	1680980	1248		1248	1248		

Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefitsName of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Category of surplus **With Profit**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of Surplus	
			day	month	year				
	R56	79678	GL	31	12	2003	£000	UK	11
Type of assets and liabilities	Name of index link			Value of assets or liabilities		Gross derivative value			
	1			2		3			
Treasury 2.5%, 2009, Index Linked Gilt	RPI			582					
Treasury 2.5%, 2013, Index Linked Gilt	RPI			60					
Sub total assets				642					
Sub total liabilities									
Sub total net assets				642					
Total assets				642					
Total liabilities									
Net total assets				642					

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **3.7%**Type of business **Life Assurance and Annuity Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	79678	GL	31	12	2003	£000	Stg	3.7	L&GA	WP	11
Type of asset notionally allocated		The valuation				The resilience scenario					
		Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
				On original allocation	Increase or decrease	Total under resilience scenario					
1	2	3	4	5	6						
Land and buildings		11	708860	6.83	567088	(567088)					
Fixed interest securities		Approved securities	12	1911711	4.65	1719270	22815	1742085	5.59		
		Other	13	1035339	5.26	950143	120168	1070311	6.47		
Variable interest and Variable yield securities (excluding items shown at line 16)		Approved securities	14								
		Other	15	38860	4.25	34589	(34589)				
Equity shares and holdings in collective investment schemes		16	3303777	4.59	2705861	930594	3636455	5.52			
Loans secured by mortgages		17									
All other assets		Producing income	18	172873	4.24	180237	(180237)				
		Not producing income	19	147697		146721	63934	210655			
Total (11 to 19)		29	7319117	4.81	6303909	355597	6659506	5.52			
Gross valuation interest rate %		31		4.21				5.10			
Net valuation interest rate % (where appropriate)		32		3.70				4.64			
Mathematical reserve or other liability, net of reinsurance		33	7319117				6659506				

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **4.3%**Type of business **Life Assurance and Annuity Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	79678	GL	31	12	2003	£000	Stg	4.3	L&GA	WP	11
Type of asset notionally allocated	The valuation				The resilience scenario						
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %					
			On original allocation	Increase or decrease	Total under resilience scenario						
1	2	3	4	5	6						
Land and buildings	11	11699	6.83	9359	(9359)						
Fixed interest securities	Approved securities	12	31551	4.65	28375	85641	114016	5.73			
	Other	13	17087	5.26	15681	(15681)					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14									
	Other	15	641	4.25	571	(571)					
Equity shares and holdings in collective investment schemes	16	54526	4.59	44658	(44658)						
Loans secured by mortgages	17										
All other assets	Producing income	18	2853	4.24	2975	(2975)					
	Not producing income	19	2438		2422	(2422)					
Total (11 to 19)	29	120795	4.81	104041	9975	114016	5.73				
Gross valuation interest rate %	31		4.3				4.48				
Net valuation interest rate % (where appropriate)	32										
Mathematical reserve or other liability, net of reinsurance	33	120795				114016					

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **4.3%**Type of business **Pension Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	79678	GL	31	12	2003	£000	Stg	4.3	Pens	WP	11
Type of asset notionally allocated		The valuation				The resilience scenario					
		Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
				On original allocation	Increase or decrease	Total under resilience scenario					
1	2	3	4	5	6						
Land and buildings		11	284683	6.83	227747	135512	363259	8.94			
Fixed interest securities		Approved securities	12	767757	4.65	690471	565021	1255492	5.65		
		Other	13	415799	5.26	381584	(70459)	311125	4.53		
Variable interest and Variable yield securities (excluding items shown at line 16)		Approved securities	14								
		Other	15	15607	4.25	13891	35771	49662	5.22		
Equity shares and holdings in collective investment schemes		16	1326820	4.59	1086693	(814994)	271699	6.04			
Loans secured by mortgages		17									
All other assets		Producing income	18	69427	4.24	72384	186394	258778	5.18		
		Not producing income	19	59317		58924	(58924)				
Total (11 to 19)		29	2939410	4.81	2531694	(21679)	2510015	5.97			
Gross valuation interest rate %		31		4.30				4.76			
Net valuation interest rate % (where appropriate)		32									
Mathematical reserve or other liability, net of reinsurance		33	2939410				2510015				

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **5.2%**Type of business **Pension Insurance Business**

Non profit

Category of assets **Commercial Union Life Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
			day	month	year							
	R57	79678	GL	31	12	2003	£000	Stg	5.2	Pens	NP	11
Type of asset notionally allocated	The valuation				The resilience scenario							
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %						
			On original allocation	Increase or decrease	Total under resilience scenario							
	1	2	3	4	5	6						
Land and buildings	11		6.83									
Fixed interest securities	Approved securities	12		4.65								
	Other	13	851876	5.26	781777	(15710)	766067	6.47				
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15		4.25								
Equity shares and holdings in collective investment schemes	16			4.59								
Loans secured by mortgages	17											
All other assets	Producing income	18		4.24								
	Not producing income	19										
Total (11 to 19)	29	851876	5.26	781777	(15710)	766067	6.47					
Gross valuation interest rate %	31		5.20				6.31					
Net valuation interest rate % (where appropriate)	32											
Mathematical reserve or other liability, net of reinsurance	33	851876				766067						

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling/Non sterling liabilities

Valuation rate(s) of interest **Balance**

Type of business

With profits/Non profit

Category of assets

Commercial Union Life Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		day	month	year						
R57	79678	GL	31	12	2003	£000	98			11
Type of asset notionally allocated	The valuation				The resilience scenario					
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
			On original allocation	Increase or decrease	Total under resilience scenario					
1	2	3	4	5	6					
Land and buildings	11	12516	6.83	10013	440935	450948	8.21			
Fixed interest securities	Approved securities	12	748860	4.65	673477	(673477)				
	Other	13	89484	5.26	82120	(18318)	63802	6.47		
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14								
	Other	15	686	4.25	611	(611)				
Equity shares and holdings in collective investment schemes	16	165790	4.55	135785	(70942)	64843	9.43			
Loans secured by mortgages	17									
All other assets	Producing income	18	3052	4.24	3182	(3182)				
	Not producing income	19	2608		2591	(2591)				
Total (11 to 19)	29	1022996	4.70	907779	(328186)	579593	8.15			
Gross valuation interest rate %	31									
Net valuation interest rate % (where appropriate)	32									
Mathematical reserve or other liability, net of reinsurance	33	915538						579593		

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling/Non sterling liabilities

Valuation rate(s) of interest **Total**

Type of business

With profits/Non profit

Category of assets

Commercial Union Life Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		day	month	year						
R57	79678	GL	31	12	2003	£000	99			11
Type of asset notionally allocated	The valuation				The resilience scenario					
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
			On original allocation	Increase or decrease	Total under resilience scenario					
1	2	3	4	5	6					
Land and buildings	11	1017758	6.83	814206		814206	8.53			
Fixed interest securities	Approved securities	12	3459879	4.65	3111593		3111593	5.62		
	Other	13	2409585	5.26	2211307		2211307	6.20		
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14								
	Other	15	55795	4.25	49662		49662	5.22		
Equity shares and holdings in collective investment schemes	16	4850913	4.55	3972997		3972997	5.62			
Loans secured by mortgages	17									
All other assets	Producing income	18	248206	4.24	258778		258778	5.18		
	Not producing income	19	212060		210655		210655			
Total (11 to 19)	29	12254196	4.82	10629198		10629198	5.84			
Gross valuation interest rate %	31									
Net valuation interest rate % (where appropriate)	32									
Mathematical reserve or other liability, net of reinsurance	33	12146739					10629198			

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **3.75%**

Type of business

Permanent Health Insurance Business

Non profit

Category of assets

Permanent Health Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	79678	GL	31	12	2003	£000	Stg	3.75	PHI	NP	12
Type of asset notionally allocated		The valuation			The resilience scenario						
		Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
				On original allocation	Increase or decrease	Total under resilience scenario					
		1	2	3	4	5	6				
Land and buildings		11									
Fixed interest securities	Approved securities	12	47724	4.60	44844	(2554)	42290	5.57			
	Other	13									
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14									
	Other	15									
Equity shares and holdings in collective investment schemes		16									
Loans secured by mortgages		17									
All other assets	Producing income	18									
	Not producing income	19									
Total (11 to 19)		29	47724	4.60	44844	(2554)	42290	5.57			
Gross valuation interest rate %		31		3.75				5.43			
Net valuation interest rate % (where appropriate)		32									
Mathematical reserve or other liability, net of reinsurance		33	47724				42290				

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **4%**

Type of business

Permanent Health Insurance Business

Non profit

Category of assets

Permanent Health Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	79678	GL	31	12	2003	£000	Stg	4	PHI	NP	12
Type of asset notionally allocated		The valuation				The resilience scenario					
		Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
				On original allocation	Increase or decrease	Total under resilience scenario					
		1	2	3	4	5	6				
Land and buildings		11									
Fixed interest securities	Approved securities	12	11263	4.60	10583	(1422)	9161	5.57			
	Other	13									
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14									
	Other	15									
Equity shares and holdings in collective investment schemes		16									
Loans secured by mortgages		17									
All other assets	Producing income	18									
	Not producing income	19									
Total (11 to 19)		29	11263	4.60	10583	(1422)	9161	5.57			
Gross valuation interest rate %		31		4.00				5.43			
Net valuation interest rate % (where appropriate)		32									
Mathematical reserve or other liability, net of reinsurance		33	11263				9161				

Long term insurance business : Matching rectangleName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **4.2%**

Type of business

Permanent Health Insurance Business

Non profit

Category of assets

Permanent Health Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	79678	GL	31	12	2003	£000	Stg	4.2	PHI	NP	12
Type of asset notionally allocated		The valuation			The resilience scenario						
		Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
				On original allocation	Increase or decrease	Total under resilience scenario					
		1	2	3	4	5	6				
Land and buildings		11									
Fixed interest securities	Approved securities	12	11122	4.60	10451	(1146)	9305	5.57			
	Other	13									
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14									
	Other	15									
Equity shares and holdings in collective investment schemes		16									
Loans secured by mortgages		17									
All other assets	Producing income	18									
	Not producing income	19									
Total (11 to 19)		29	11122	4.60	10451	(1146)	9305	5.57			
Gross valuation interest rate %		31		4.20							5.43
Net valuation interest rate % (where appropriate)		32									
Mathematical reserve or other liability, net of reinsurance		33	11122				9305				

Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Commercial Union Life Assurance Company Limited**Valuation rate(s) of interest **Total**

Global business

Type of business

Financial year ended **31st December 2003**

With profits/Non profit

Category of assets

Permanent Health Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		day	month	year						
R57	79678	GL	31	12	2003	£000	99			12
Type of asset notionally allocated	The valuation				The resilience scenario					
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
			On original allocation	Increase or decrease	Total under resilience scenario					
1	2	3	4	5	6					
Land and buildings	11									
Fixed interest securities	Approved securities	12	64657	4.60	60756			60756		5.93
	Other	13								
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14								
	Other	15								
Equity shares and holdings in collective investment schemes	16									
Loans secured by mortgages	17									
All other assets	Producing income	18								
	Not producing income	19								
Total (11 to 19)	29	64657	4.60	60756			60756		5.93	
Gross valuation interest rate %	31									
Net valuation interest rate % (where appropriate)	32									
Mathematical reserve or other liability, net of reinsurance	33	70109						60756		

Long term insurance business : Valuation result and distribution of surplusName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplusCategory of surplus **With Profit**

R58	79678	GL	31	12	2003	£000	11
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Valuation result	Fund carried forward		11				11939467
	Bonus payments made to policyholders in anticipation of a surplus		12				43698
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13				33284
		Transfer to other funds/parts of funds	14				
	Net transfer out of funds/parts of funds (13+14)		15				33284
	Total (11+12+15)		16				12016449
	Mathematical reserves for accumulating with profit policies		17				7997239
	Mathematical reserves for other non linked contracts		18				3576596
	Mathematical reserves for property linked contracts		19				103398
	Mathematical reserves for index linked contracts		20				685
	Total (17 to 20)		21				11677918
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29				338531
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31				8249
	Transfers into fund/part of fund	Transfer from non-technical account	32				
		Transfer from other funds/parts of fund	33				
	Net transfer into fund/part of fund (32+33)		34				
	Surplus arising since the last valuation		35				330282
Total (31+34+35)		39				338531	
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41				43698
	Allocated to policyholders by way of	Cash bonuses	42				
		Reversionary bonuses	43				261549
		Other bonuses	44				
		Premium reductions	45				
	Total allocated to policyholders (41 to 45)		46				305247
	Net transfer out of fund/part of fund		47				33284
	Total distributed surplus (46+47)		48				338531
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49				
Total (48+49)		59				338531	
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61				90.17
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation)	62				
	Earlier	(year of valuation)	63				
	Earliest	(year of valuation)	64				

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

Units

Category
of surplus

Category of surplus

Stakeholder Fund

R58	79678	GL	31	12	2003	£000	12
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Valuation result	Fund carried forward		11			226634	
	Bonus payments made to policyholders in anticipation of a surplus		12				
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13				
		Transfer to other funds/parts of funds	14				
	Net transfer out of funds/parts of funds (13+14)		15				
	Total (11+12+15)		16			226634	
	Mathematical reserves for accumulating with profit policies		17			219753	
	Mathematical reserves for other non linked contracts		18				
	Mathematical reserves for property linked contracts		19				
	Mathematical reserves for index linked contracts		20				
	Total (17 to 20)		21			219753	
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29			6881	
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31			84	
	Transfers into fund/part of fund	Transfer from non-technical account	32				
		Transfer from other funds/parts of fund	33				
	Net transfer into fund/part of fund (32+33)		34				
	Surplus arising since the last valuation		35			6797	
Total (31+34+35)		39			6881		
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41				
	Allocated to policyholders by way of	Cash bonuses	42				
		Reversionary bonuses	43			6881	
		Other bonuses	44				
		Premium reductions	45				
	Total allocated to policyholders (41 to 45)		46			6881	
	Net transfer out of fund/part of fund		47				
	Total distributed surplus (46+47)		48			6881	
Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49					
Total (48+49)		59			6881		
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61			100.00	
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation)	62				
	Earlier	(year of valuation)	63				
	Earliest	(year of valuation)	64				

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplus

Category of surplus

**Permanent Health
Fund****R58****79678****GL****31****12****2003****£000****13**

Valuation result	Fund carried forward		11	70129	
	Bonus payments made to policyholders in anticipation of a surplus		12		
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13		
		Transfer to other funds/parts of funds	14		
	Net transfer out of funds/parts of funds (13+14)		15		
	Total (11+12+15)		16	70129	
	Mathematical reserves for accumulating with profit policies		17		
	Mathematical reserves for other non linked contracts		18	70109	
	Mathematical reserves for property linked contracts		19		
	Mathematical reserves for index linked contracts		20		
	Total (17 to 20)		21	70109	
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29	20	
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31	20	
	Transfers into fund/part of fund	Transfer from non-technical account	32		
		Transfer from other funds/parts of fund	33		
	Net transfer into fund/part of fund (32+33)		34		
	Surplus arising since the last valuation		35		
Total (31+34+35)		39	20		
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41		
	Allocated to policyholders by way of	Cash bonuses	42		
		Reversionary bonuses	43		
		Other bonuses	44		
		Premium reductions	45		
	Total allocated to policyholders (41 to 45)		46		
	Net transfer out of fund/part of fund		47		
	Total distributed surplus (46+47)		48		
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49	20	
Total (48+49)		59	20		
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61		
Corresponding percentage at three immediately previous valuations	Latest (year of valuation)	62			
	Earlier (year of valuation)	63			
	Earliest (year of valuation)	64			

Long term insurance business : Required minimum margin

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Financial year ended **31st December 2003**

R60	79678	GL	31	12	2003	£000
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Class			Classes I, II & IX					Class III business with relevant factor of					Class IV and VI	Classes VII and VIII business with relevant factor of					Unallocated additional mathematical reserves with relevant factor of		Total for all classes	
			4% 1	4% 2	1% 3	Nil 4	Total 5	4% 6	4% 7	1% 8	Nil 9	Total 10		4% 11	1% 12	The financial year 13	The previous year 14					
Mathematical reserves before deduction of reinsurance	Reserves before distribution of surplus	11	3928782	7886451	1086460	83030	9055941	132058								1015		13117796	13112992			
	Reserves for bonus allocated to policyholders	12	193665	74764			74764											268429	386764			
	Reserves after distribution of surplus	13	4122447	7961215	1086460	83030	9130705	132058								1015		13386225	13499756			
Mathematical reserves after deduction of reinsurance	Reserves before distribution of surplus	14	3923628	7856792	102871	1542	7961205	82944								1015		11968792	12164102			
	Reserves for bonus allocated to policyholders	15	193665	74764			74764											268429	386764			
	Reserves after distribution of surplus	16	4117293	7931556	102871	1542	8035969	82944								1015		12237221	12550866			
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)		17	0.9987				0.8801	0.8500								1.0000						
Required margin of solvency - first result = (line 13) * (line 17) * relevant factor		19	164684				289829	4490								41		459044	475801			
Non negative capital at risk before reinsurance (see Instruction 3)	Temporary assurances with required margin of solvency of 0.1%	21	419460															419460	445185			
	Temporary assurances with required margin of solvency of 0.15%	22																				
	All other assurances with required margin of solvency of 0.3%	23	6654504				(11)											6654493	7243422			
	Total (21 to 23)	29	7073964				(11)											7073953	7688607			
Non negative capital at risk after reinsurance (all contracts) (see Instruction 3)		31	5762827				(11)											5762816	6367871			
Ratio of line 31 to line 29, or 0.50 if greater		32	0.8147				1.0000															
Required margin of solvency - second result (see Instruction 4)		39	16606															16606	18366			
Sum of first and second results (19+39)		49	181290				289829	4490								41		475650	494167			
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business		51																	1			
Total required margin of solvency for long term insurance business (49+51)		59																475650	494168			
Minimum guarantee fund		61																549	506			
Required minimum margin (greater of lines 59 and 61)		69																475650	494168			

Supplementary notes

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31st December 2003**

Code

0001 With Profits Realistic Balance Sheet

	<u>£m</u>
Total statutory assets of the with-profit fund	12,439
Plus valuation adjustments to statutory and additional assets arising on realistic balance sheet	<u>497</u>
Total realistic assets	<u>12,936</u>
Policyholder realistic basis liabilities	10,978
Plus other liabilities	<u>350</u>
Total liabilities	<u>11,328</u>
Realistic basis assets in excess of liability	1,608
Less with-profit capital requirement on realistic basis	<u>341</u>
Realistic basis assets in excess of liability and capital requirement	<u>1,266</u>
Capital coverage within the with profit fund (assets in excess of (liability/capital requirement))	4.71

Notes

General

The figures given above and the notes below have been prepared following guidance from the ABI.

The information is the total figure for the with profits fund of the Company

Statutory assets of the With Profits Funds

This shows the value of the long-term admissible assets of the with-profit fund available to support with profit business. It excludes assets equal to the value of the statutory liability and required minimum margin of non-profit business written in the fund.

Additional assets arising on a realistic basis

This number comprises:

- Assets that are inadmissible on a statutory basis only by reason of the size of the holding
- the value of future statutory surplus arising from non-profit business written in the fund

The value of future statutory surplus arising from non profit business has been calculated on the Company's Embedded Value basis. The future statutory surplus from this business includes the release of required minimum margin.

Policyholder realistic liabilities

Policyholder realistic liability is calculated consistent with the Company's Draft Principles and Practices of Financial Management (PPFM)

The liabilities comprise:

- Total value of asset shares as at the balance sheet date
- Value of additional liabilities arising from guarantees, options, smoothing and promises made
- Value of prospective shareholder transfers and tax thereon where not charged to asset shares

For the majority of business, the cost of guarantees, options and promises is calculated from a market consistent stochastic model.

The value of guaranteed annuity options is assessed from consideration of the market value of a replicating portfolio of swaptions.

Supplementary notesName of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2003****Code**

The key assumptions for the stochastic model are:

- Risk free rate 5.0 %
- UK equity volatility 18.5 %
- Property volatility 15.0 %

Other Liabilities

Other liabilities of the fund such as creditors and tax.

With Profit Capital Requirements on a Realistic Basis

The capital requirement is an amount that would support the fund in the event of a combination of adverse events. The events in question are:

- 18% fall in the value of the fund's equity holdings
- 20% fall in the value of the fund's property holdings
- 0.5% increase in credit spreads
- 20% fall in the yields on all fixed interest holdings.

In addition allowance is made for how the Company would respond to such circumstances, for example through changes to annual and final bonus rates consistent with the draft PPFM.

This combination of events has been approved by the FSA for the purpose of the end-2003 realistic results. A different combination of events may ultimately be required.

0002 Some reinsurance accepted has been included with direct written business in IRPU (INS) Appendix 9.4. The amount of such business represents less than 0.1% of the net mathematical reserves.**4601** The number of group contracts in force at the end of the report period is:

United Kingdom Non-linked	12,196
United Kingdom Linked	106
Overseas Non-linked	223

4801 The accrued interest included in line 84 of Form 13 is split between lines 12 to 15 of Form 48 as follows:

Line number	Amount of accrued interest
12	43,732,000
13	44,180,000
14	
15	61,000

4802 The expected interest from seven debentures currently in default is excluded from column 2 of Form 48. The total expected interest is £1.52m. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.**5101** No information is shown in columns 7, 8, 10 and 11 of Form 51 in respect of the following contracts for the reasons stated:

- (i) Decreasing term, group life, some term and convertible term assurances, other assurance (unitised with profits), other group (deposit administration) and other group (unitised with profits). Net premiums and value of future premiums are not used in the method of valuation.
- (ii) All deferred annuities except reversionary annuities. The liability is obtained by valuing the secured benefits.

5102 Sums assured under contracts with decreasing sums assured are approximate amounts only.**5103** No office premium has been shown for group deferred annuity contracts under which premiums have not ceased, except for those where level annual premiums are payable.**5105** The number of contracts stated in Forms 51 and 53, exceeds the actual number of contracts issued by:

Form 51	472,946
Form 53	4

Supplementary notes

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31st December 2003**

Code

5106 "Section 620" refers to contracts approved under Section 620 of the Income and Corporation Taxes Act 1988.

5110 Commercial Union Life Assurance Company Ltd is one of a group of offices which reassures the annuity business of Investment Annuity Life Assurance Co. Ltd. A section 68 order has been obtained from the Secretary of State releasing Commercial Union Life Assurance Company Ltd from the requirement to show the reinsurance and subsequent retrocession in returns.

5111 For convertible term assurances which are valued by the net premium method and included with "Term Assurances" in Form 51, the office premiums, and hence the percentage of the office premiums reserved for expenses, contain an element in respect of the conversion option.

5113 Aggregate liabilities and adjustments

Unallocated premiums relate to group deferred annuities and are described in paragraph 6 of the Abstract.

Adjustment for unprocessed movements are mainly in respect of maturity proceeds not taken.

Future expenses are described in paragraph 8 of the Abstract.

5202 Certain contracts in Forms 52 and 53 are issued in policy clusters. Further, where a cluster has units invested in both the With Profits Fund and the internal linked funds, each policy within the cluster is counted in both Forms 52 and 53. Consequently the contract count shown in Forms 52 and 53 exceeds the number of clusters by 735,908 for Life Assurance business and 507,863 for Pensions business.

Certain contracts in Form 52 under the heading Reinsurance accepted have some units currently invested either partly or entirely in the internal linked funds.

The amounts of premium shown on Form 52 represent the proportions of current premiums directed to the With Profits Fund, and the balance is shown on Form 53. Amounts of benefits are split according to the actual unit holdings. Other contract liabilities are related to either premiums or unit holdings and are split accordingly.

5203 Aggregate liabilities and adjustments

Contractual Final Bonus is the bonus benefit on Personal Pension Plans.

5301 Valuation rates of interest and mortality tables and net premiums are not used in the calculation of the unit liabilities for any of the linked contracts.

5302 In Form 53, the entries under 'Category of Unit Link' and 'Unit Liability' for the Abbey National Plan refer to the linked liabilities for this contract. However the liabilities under this plan accumulate by reference to interest rates and are not linked to units.

5303 Aggregate liabilities and adjustments

Adjustment (Equity Builder). This is an adjustment to the value of the linked liabilities for Equity Builder contracts and is described in Section 6 of IRPU (INS) Appendix 9.4. For the purpose of the actuary's certificate, the amount of this deduction has been added back to the mathematical reserves on the IRPU (INS) Appendix 9.4 basis, for consistency with the relevant asset valuation basis.

Guaranteed Maturity Benefit. This reserve relates to equity builder contracts and is described in paragraph 5 of the Abstract.

Adjustment. This is an adjustment to the value of the linked liabilities for each of the With Profit Bonds and Personal Pension Plans. It is made in order to achieve consistency between the amount of mathematical reserves and the amount of the long-term business fund.

5501 The liabilities under the Abbey National Plan accumulate by reference to interest rates and are not linked to units. Thus the valuation price shown is notional and assumes a unit is equivalent to a liability of £1.

5701 The contracts covered on the sheet coded Balance are Pensions Non Profit Assurances, Life Non Profit Annuities, Life Non-Profit and With Profit Deferred Annuities, Non unit reserves, unitised With Profit overseas Reinsurance accepted and conventional With Profit Reinsurance accepted.

Supplementary notesName of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2003****Code****0901 Written concessions****Reinsurance arrangements**

The Secretary of State for Trade and Industry, on the application of the Company, issued to the Company in February 1997 an Order under section 68 of the Insurance Companies Act 1982 directing that for the purpose of section 18(4) of that Act, the liabilities in respect of annuity contracts issued by the Investment Annuity Life Assurance Company Limited shall be deemed to be nil.

This written concession has been carried forward under the transitional provisions of the Supervision Manual in relation to the equivalent rules in IPRU (INS).

0902 Section 148 waivers

The Financial Services Authority, on the application of the firm, made a direction in December 2002 under section 148 of the Act. The direction allows the firm to limit its provision for deferred tax, on any capital gains made on their shares, to the amount that would be due if those shares were immediately realised at their "Valuation of Assets Rules" value.

The Financial Services Authority, on the application of the firm, made a direction in December 2002 under section 148 of the Act. The effect of the direction is to modify the provisions of IPRU (INS) Rule 3.4 so that it does not apply to certain internal reinsurance treaties.

09A3 Financial Reinsurance – accepted

The impact of the financial reinsurance shown at line 16 is to increase mathematical reserves by £57m. The amount of contingent asset for payments from cedants is £57m. The commutation value of the reinsurance arrangement at the end of the financial year is £57m.

1001 Reconciliation to shareholder accounts

	2003
	£000
Form 13.99	90,960
Form 15.59	(742)
Long Term Fund in excess of FFA	11,286
Capital and reserves as per shareholder accounts	101,504

The Company surrendered its general insurance license during 2003, therefore Form 13 for Other than long term business together with forms 15 and 16 are included in this year's Return.

1002 Line 65 – Other movements

The balance brought forward from the previous year's shareholder return is included here.

1003 Subordinated loan capital – section 148 waivers

Not applicable

1301 Aggregate value of unlisted investments, etc. - other than long term insurance business**1308 Aggregate value of unlisted investments, etc. - long term insurance business**

The Commercial Union Life Fund held £393.4m in unlisted securities and £6.8m of units in unregulated collective investment schemes. There were no holdings in listed securities, which are not readily realisable, or reversionary interests or remainders in property.

1302 Aggregate value of hybrid securities – other than long term insurance business**1309 Aggregate value of hybrid securities – long term insurance business**

The Company held hybrid securities of £399.6m in the Commercial Union Life Fund.

1303 Amounts of any salvage or subrogation recovery – other than long term insurance business

Not applicable

Supplementary notesName of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2003****Code****1304 Statement of amounts set off – other than long term insurance business****1310 Statement of amounts set off – long term insurance business**

Amounts have been set off to the extent permitted by generally accepted accounting principles.

1305 Counterparty limits during the year – other than long term insurance business**1311 Counterparty limits during the year – long term insurance business**

The investment guidelines operated by the Company specify exposure to counterparties by asset type as follows:

Deposits

The maximum permitted exposure to counterparties is set out in the lending limit list approved by the Group Risk Committee.

Each Fund cannot hold more than 2% of funds under management (but subject to a minimum of £20m and a maximum of £100m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £75m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £50m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

Equities

The maximum of a company's equity held by all funds is limited to 10%. Unquoted holdings are limited to 2% of the UK equity portfolio.

Fixed

Exposure to non-government bonds is limited to holdings, which are deemed to be of a suitable investment grade determined by senior investment management. The maximum holding across all funds of a single issue is limited to 25% of the issue. Private placements are limited to 3% of the non-government bond portfolio.

Derivatives

Exposure to OTC derivatives is only undertaken with the approval of senior management.

Equity Index Futures	10% of fund
UK Bond Futures	10% of fund
UK Swaps & Swaptions	10% of fund
Overseas Bond Futures	5% of fund
Overseas Swaps & Swaptions	20% of overseas fixed interest
FX forwards	
-purchase/sale of investments	Unlimited
-asset allocation	20% of fund
-other	100% of overseas assets
FX options	10% of overseas assets
Warrants	3% of equity portfolio
Equity underwriting	Lower of £150m or cash cover

1306 Counterparty exposure at the year end – other than long term insurance business**1312 Counterparty exposure at the year end – long term insurance business**

Exposure to any one counterparty at the end of the financial year did not exceed 5% of the long-term insurance business amount.

1307 Fully secured rights – other than long term insurance business**1313 Fully secured rights – long term insurance business**

Not applicable.

1314 Tangible lease assets – other than long term insurance business**1316 Tangible lease assets – long term insurance business**

There are no tangible leased assets included in line 80.

1315 Other assets**1317 Other assets**

Not applicable

Supplementary notes

Name of insurer **Commercial Union Life Assurance Company Limited**

Financial year ended **31st December 2003**

Code

1401 Provision for adverse changes

1501 Provision for adverse changes

No provision for adverse changes is required as no assets are held which would give rise to a future liability, which would not be covered by appropriate assets.

1402 Contingent liabilities, etc.

There are no charges over any assets of the Company.

Included in deferred tax liabilities at line 21 of form 14 is an amount of £58m in respect of a full provision for potential capital gains tax on unrealised gains.

There are no contingent liabilities not included on the form.

There are no guarantees, indemnities, or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.

1502 Contingent liabilities, etc.

There are no charges over any assets of the Company.

There is no provision for taxation on capital gains and no unprovided potential liability.

There are no contingent liabilities not included on the form.

There are no guarantees, indemnities, or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.

1601 Basis of conversion of foreign currency

4005 Basis of conversion of foreign currency

Assets and liabilities in currencies other than sterling have been translated into sterling at rates of exchange ruling at 31 December 2003. Revenue items in currencies other than sterling have been translated into sterling at an average rate of exchange for the year.

1700 Form omitted

This form has been omitted for the Permanent Health Fund as there are no derivatives on this fund.

1701 Variation margin

The aggregate amount of and excess variation margin which has been received by the Company is £nil. The variation margin is allocated to form 13 as follows:

	£'000
Form 13 line 44	nil

No amounts included on Form 13 reflect the liability to repay any excess.

1702 Quasi-derivatives

Not applicable

4002 Other income and expenditure

Not applicable

4006 Apportionment of items between different long term insurance business funds

Investment Income

Invested assets are individually designated to a particular fund. Consequently all investment income is allocated by reference to the designation of the asset.

Increase or decrease in the value of assets brought into account

The value of assets brought into account is determined by reference to the liabilities of the relevant fund. The assets available are individually designated to the relevant fund.

Supplementary notesName of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2003****Code****Expenses**

All expenses are examined to identify those directly attributable to a particular fund. Those not directly attributable are apportioned pro rata to the work carried out for the fund.

Taxation

The taxation of each fund is computed in accordance with the taxation regulations applicable to that class of business.

4008 Provision of management services

Under a management agreement, Norwich Union Life Services Limited supplies and makes a charge for the provision of management services to the company.

4009 Related party transactions

Related party transactions exceeding 5% of the long-term insurance business amount were as follows:

Connected Party	CGNU Life Assurance Limited	
Nature of relationship	Fellow group undertaking	
Nature of transactions during the period	Reinsurance accepted	
Value of transactions during the period	Premiums	£334m
	Claims	£299m
	Commission	£16m
	Expenses	£18m
Amounts unpaid at the end of the period	£5m owed from CGNU Life Assurance Company Limited	
Amounts written off in the period	£nil	

4300 Form omitted

This form has been omitted.

4400 Form omitted

This form has been omitted.

4500 Form omitted

This form has been omitted.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

The following summarises investment policy for the use of derivatives: -

- Derivatives will only be used in accordance with FSA Guidelines for the purpose of efficient portfolio management or reduction in investment risk.
- Derivatives must not be used for speculative purposes.
- Derivatives must be fully covered by the assets of the fund and must not be used to 'gear up' a fund.
- Counterparty risk – for exchange traded contracts, the exchange must be classed as "regulated" by an investment committee. Over the counter contracts, transactions must only be transacted with approved counterparties. Counterparty limits are consistent, and monitored in line with the fund's aggregate exposure guidelines.
- Controls and Monitoring – delegated authorities exist for each member of staff using derivatives. Derivatives transactions are priced, settled and profit and losses reconciled in an area independent of the fund managers involved.

The following information relates to the Commercial Union Life Fund. No derivative transactions were carried out in respect of the Permanent Health Fund of the company.

There are no specific guidelines for the use of contracts that were not reasonably likely to be exercised at the start of the contract. The speculative use of derivative contracts is prohibited.

The company was party to Stock Underwriting over the financial period, which falls into the description above. This is the only example of such contracts that were transacted during the financial period. However, none of the amounts recorded in Form 13 would have been materially changed if the insurer became obligated to purchase these assets.

The amounts recorded in Form 13 would have been reduced by £1.4m if contracts held had been exercised at the end of the financial year.

During the financial year, the above changes would not have been significantly larger from those at year end.

The maximum loss in the event of failure by any one counterparty to fulfil its obligations at the end of the financial year would have been £27.5m. This would not have been materially greater at any one time during the year or under other foreseeable market conditions.

All derivative contracts held at any time during the financial year fell within rule 4.12 (2), or (where appropriate) the definition of a permitted derivative contract.

During the financial period, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial period was £0.1m.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

100% of the issued share capital of the Company is held by Norwich Union Life Holdings Limited.

100% of the issued share capital of Norwich Union Life Holdings Limited is held by Norwich Union Holdings Limited.

100% of the issued share capital of Norwich Union Holdings Limited is held by Norwich Union plc.

100% of the issued share capital of Norwich Union plc is held by General Accident plc.

100% of the issued ordinary share capital of General Accident plc is held by the ultimate parent undertaking, Aviva plc.

There have been no changes to the above position during the year.

All shares are voting shares.

Statement of information on appointed actuary required by IPRU (INS) 9.36Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, M N Urmston, the appointed actuary of the Company, was requested to furnish and has provided the following information:

- (a) (1) An interest in 2,637 ordinary shares at 31 December 2003 in Aviva plc, and an interest in 11,522 ordinary shares at 31 December 2002.
- (2) 91,891 ordinary shares are held in the Aviva Long Term Incentive Plan, these shares will vest upon the satisfaction of certain performance criteria. In addition 69,572 ordinary shares are held in the Aviva Deferred Bonus Plan.
- (3) Options were held at 31 December 2003 to subscribe for 103,182 ordinary shares in Aviva plc under UK Employees Savings Related and Executive Share Option Schemes.

	No. of shares
Options held at 31 December 2003	116,639
Options granted during the year	2,732
Options exercised or lapsed during the year	(16,189)

- (b) Four with profits low cost endowment policies with CGNU Life Assurance Limited, with aggregate sums assured of £53,173 and annual premiums of £1,586. One non-profit term assurance policy with CGNU Life Assurance Limited with sum assured of £75,000 and annual premiums of £332. In addition the actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £2,304 were paid in the year to 31 December 2003.
- (c) The aggregate amount of remuneration, bonuses and the value of other benefits (excluding pension rights) under the actuary's contract of employment with Aviva Employment Services Limited for 2003 was £288,049. Under the contract he was Appointed Actuary and Director of:

CGNU Life Assurance Limited
 Commercial Union Life Assurance Company Limited
 Norwich Union Linked Life Assurance Limited
 Norwich Union Life (RBS) Limited
 Norwich Union Life & Pensions Limited
 Norwich Union Annuity Limited

appointed actuary of:-
 The Northern Assurance Company Ltd

And a director of:-
 Fidelity Life Assurance Limited
 GA Life Property Ireland Limited
 National Westminster Life Assurance Limited
 Norwich Union Commercial Finance Limited
 Norwich Union Commercial Mortgages Limited
 Norwich Union Equity Release Limited
 Norwich Union Healthcare Limited
 Norwich Union Life Holdings Limited
 Norwich Union Life (RBS) JV Limited
 Norwich Union Life Services Limited
 Norwich Union Mortgage Finance Limited
 Norwich Union Mortgages (Life) Limited
 Norwich Union Mortgage Holdings Limited
 Norwich Union Personal Finance Limited
 NULH2 Limited
 Provident Mutual Life Assurance Limited
 RBS Life Investments Limited
 Royal Scottish Assurance plc
 TPF Limited
 TPFL Limited
 The General Practice Finance Corporation Limited
 The General Practice Finance Corporation Property Management Limited

- (d) Pensions and life assurance benefits as provided to all employees under the terms and conditions of the Aviva Companies' UK Pensions Schemes. Sickness and accident benefits as provided to all employees under the terms and conditions of these schemes.

Returns under the Accounts and Statements Rules

Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

We certify:

- 1 (a)** in relation to the part of the return comprising Forms 9, 9A, 10, 13, 14, 17 and 40 to 42, (including the supplementary notes) and the statements required by rules 9.29 and 9.30 that:

 - (i) the return has been prepared in accordance with the Accounts and Statements Rules;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by Commercial Union Life Assurance Company Limited (the Company); and
 - (iii) appropriate systems and controls have been established and maintained by the Company over its transactions and records;
- (b)** that reasonable enquiries have been made by the Company for the purpose of identifying material connected-party transactions;
- (c)** that in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- (d)** in relation to the statement required by rule 9.36:

 - (i) that for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) that the information given has been ascertained in conformity with that rule.
- 2** that the margin of solvency for long term insurance business required by rule 2.1 has been maintained throughout the financial year.
- 3 (a)** that the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rules 3.2(2) to (4) and rule 3.3, assets attributable to long term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business funds have not been applied otherwise than for the purpose of the long term insurance business;
- (b)** that any amount payable from or receivable by the long term insurance business funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;
- (c)** that all guarantees given by the Company of the performance by a related company which would fall to be met by any long term insurance business fund have been disclosed in the return, and that the funds on which each such guarantee would fall has been identified therein;
- (d)** that the investment policy and practice of the Company in respect of the internal linked funds maintained was, during the financial year, consistent with any representations made to policyholders or potential policyholders of the Company;
- (e)** that the returns in respect of long term insurance business are not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links, or by any arrangements which could affect the apportionment of expenses and income; and
- (f)** that the Company has fully complied with the requirements of rule 3.5.

Returns under the Accounts and Statements Rules

Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

4 (a) that the systems and controls established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:

- (i) Guidance Note P.1 – ‘Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives’;
- (ii) ‘The prevention of Money Laundering - Guidance Notes for the UK Financial Sector’ (revised December 2001) issued by the Joint Money Laundering Steering Group;

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future; and

(b) the return has been prepared in accordance with the following published guidance:

- (i) Guidance Note 4.1 - ‘Guidance for insurers and auditors on the Valuation of Assets Rules’;
- (ii) Guidance Note 4.2 - ‘Use of derivative contracts in insurance funds’; and
- (iii) Guidance Note 9.1 - ‘Preparation of Returns’.

..... **GN WITHERS**
Chief Executive

..... **J A NEWMAN**
Director

..... **M N URMSTON**
Director

22 March 2004

Returns under the Accounts and Statements Rules

Certificate by the appointed actuary required by IPRU (INS) 9.34(b) and IPRU (INS) Appendix 9.6

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

I certify:

- (a)
- (i) that in my opinion proper records have been kept by Commercial Union Life Assurance Company Limited (the Company) adequate for the purpose of the valuation of the liabilities of its long term insurance business;
 - (ii) that the sum of the mathematical reserves as shown on Form 14, together with an amount of £102,006,000 (being part of the excess of the value of the admissible assets representing the long term insurance business over the amount of those funds shown in Form 14), constitute proper provision as at 31st December 2003 for the liabilities (other than 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 investigation as at that date into the financial condition of the long term insurance business;
 - (iii) that for the purpose of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with the Valuation of Assets Rules, as shown in Form 13;
 - (iv) that the current versions of Guidance Notes, issued by the Institute of Actuaries and the Faculty of Actuaries, numbered GN1 (effective date 01.09.03), GN2, GN7, GN8, GN22 and GN25 have been complied with; and
 - (v) that in my opinion premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves.
- (b) that the amount of the required minimum margin applicable to the Company's long term insurance business immediately following the end of the financial year (including any amounts resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business) is £475,650,000.

M N Urmston

Appointed Actuary

22 March 2004

Returns under the Accounts and Statements Rules

Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **Commercial Union Life Assurance Company Limited**

Global Business

Financial year ended **31st December 2003**

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

- Forms 9, 9A, 10, 13, 14, 17 and 40 to 42 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 on page 151 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on page 154 ("the certificate").

In the case of the certificate, our examination did not extend to:

- a) paragraph 1 in relation to the statements required by rules 9.30 and 9.36 concerning controllers and Information on the appointed actuary;
- b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

This report is made solely to the company'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 company'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 company for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, statement and certificate) under the provisions of the Rules. The requirements of the Rules have been modified by waivers and written concessions referred to in supplementary note 0901. Under rule 9.11 the Forms and statement 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.

It is our responsibility to form an independent opinion as to whether the Forms and statement meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statement therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Bases of opinions

We conducted our work in accordance with Practice Note 20 "The audit 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 and statement. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on 22 March 2004. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statement.

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 and statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on the certificate of the actuary on page 157 with respect to the mathematical reserves and the required minimum margin for long term insurance business; and

Opinions

In our opinion:

- (a) the Forms and statement fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) according to the information and explanations received by us:
 - (i) the certificate has been properly prepared in accordance with the provisions of the Rules; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

Ernst & Young LLP
Registered Auditor
London
25 March 2004